



## ***REDEVELOPMENT AGENCY***

***MEETING DATE: August 27, 2003***

**Agenda Item # 1**

**Prepared By:**

**BAHS Manager**

**Approved By:**

**BAHS Director**

**Submitted By:**

**City Manager**

### **ART IN PUBLIC PLACES WORKSHOP**

**RECOMMENDED ACTION(S):** Provide direction on how to proceed with the development of an art in public places policy.

**EXECUTIVE SUMMARY:** Last December, the City Council considered a discussion guide for developing a policy for art in public places. At the Council meeting, staff was directed to: 1) bring back the discussion guide for further discussion; 2) give options for developing an art board/commission; 3) provide information on the impact on staff; 4) provide more information on policies elsewhere for requiring art in private development; 5) supply more information on how to handle donated art; and 5) schedule a workshop on the topic. For your reference, attached are: the staff report and Discussion Guide from December 18, 2002, three matrices comparing art in public places programs in other California cities, and a copy of the power point presentation slides for the workshop, which incorporates Council direction from December.

Subsequent to the December meeting, the City Council, at its February 2003 goal setting session, clarified its intent and adopted goals for promoting the arts including: 1) supporting the efforts of the Morgan Hill Community Foundation to establish non-governmental programs for the arts; and 2) conducting a workshop on a possible program to require 1% investment in public art. Staff has also incorporated these goals into the workshop presentation.

**FISCAL IMPACT:** None at this time.

Attachments



**REDEVELOPMENT AGENCY**  
***STAFF REPORT***

***MEETING DATE:*** *August 27, 2003*

**JULY 2003 FINANCE & INVESTMENT REPORT**

**RECOMMENDED ACTION:**

Accept and File Report

**EXECUTIVE SUMMARY:** Attached is the monthly Finance and Investment Report of the Redevelopment Agency of the City of Morgan Hill for the month of July 2003. The report covers activity for the first month of the 2003/2004 fiscal year. A summary of the report is included on the first page for the Board's benefit.

The Redevelopment Agency monthly Finance and Investment Report is presented to the Agency Board and our Citizens as part of our ongoing commitment to improve and maintain public trust through communication of our finances, budget and investments. The report also serves to provide the information necessary to determine the adequacy/stability of financial projections and develop equitable resource/revenue allocation procedures.

This report covers all fiscal activity of the Redevelopment Agency.

**FISCAL IMPACT:** As presented.

**Agenda Item # 2**

**Prepared By:**

**Finance Director**

**Submitted By:**

**Executive director**

**REDEVELOPMENT AGENCY OF  
THE CITY OF MORGAN HILL**

**Monthly Financial and Investment Reports**

**July 31, 2003 – 8% Year Complete**



**CITY OF MORGAN HILL  
REDEVELOPMENT AGENCY**

**Prepared by:**

**FINANCE DEPARTMENT**



**REDEVELOPMENT AGENCY OF THE CITY OF MORGAN HILL, CALIFORNIA**  
**FINANCIAL STATEMENT ANALYSIS - FISCAL YEAR 2003/04**  
**FOR THE MONTH OF JULY 2003 - 8% OF YEAR COMPLETE**

**Revenues**

Through July 31, the Redevelopment Agency received no property tax increment revenues. This is because most tax revenues are received in December and April. The Redevelopment Agency, as of July 31, 2003, has collected \$100,000,000 in tax increment revenue under the original plan and has collected \$56,024,221, net of pass-through obligations to other agencies, toward the plan amendment cap of \$147,000,000. Since the \$100 million tax increment cap for the original plan was reached during 1999/2000, all tax increment revenues collected during 2003/2004 were collected under the plan amendment.

No interest and rental income was allocated during July. Interest earnings for the month of July will be posted at the end of the quarter ending September 30. 'Other Revenues' represented charges for current services and total \$27,626.

**Expenditures**

Total Redevelopment Agency Capital Projects expenditures and encumbrances equaled \$13,858,024 and were 51% of budget. Of this total, \$7,682,490 represented encumbrances for capital projects and other commitments. Expenditures for administrative costs for employee services, supplies, and contract services were 12% of budget. During July 2003, the Agency made a \$2.55 million installment payment towards the purchase of the Sports Complex. During July, the Agency also spent approximately \$3.5 million for purchase of the Courthouse Facility property. All Capital Projects expenditures during 2002/03 have used monies collected under the plan amendment.

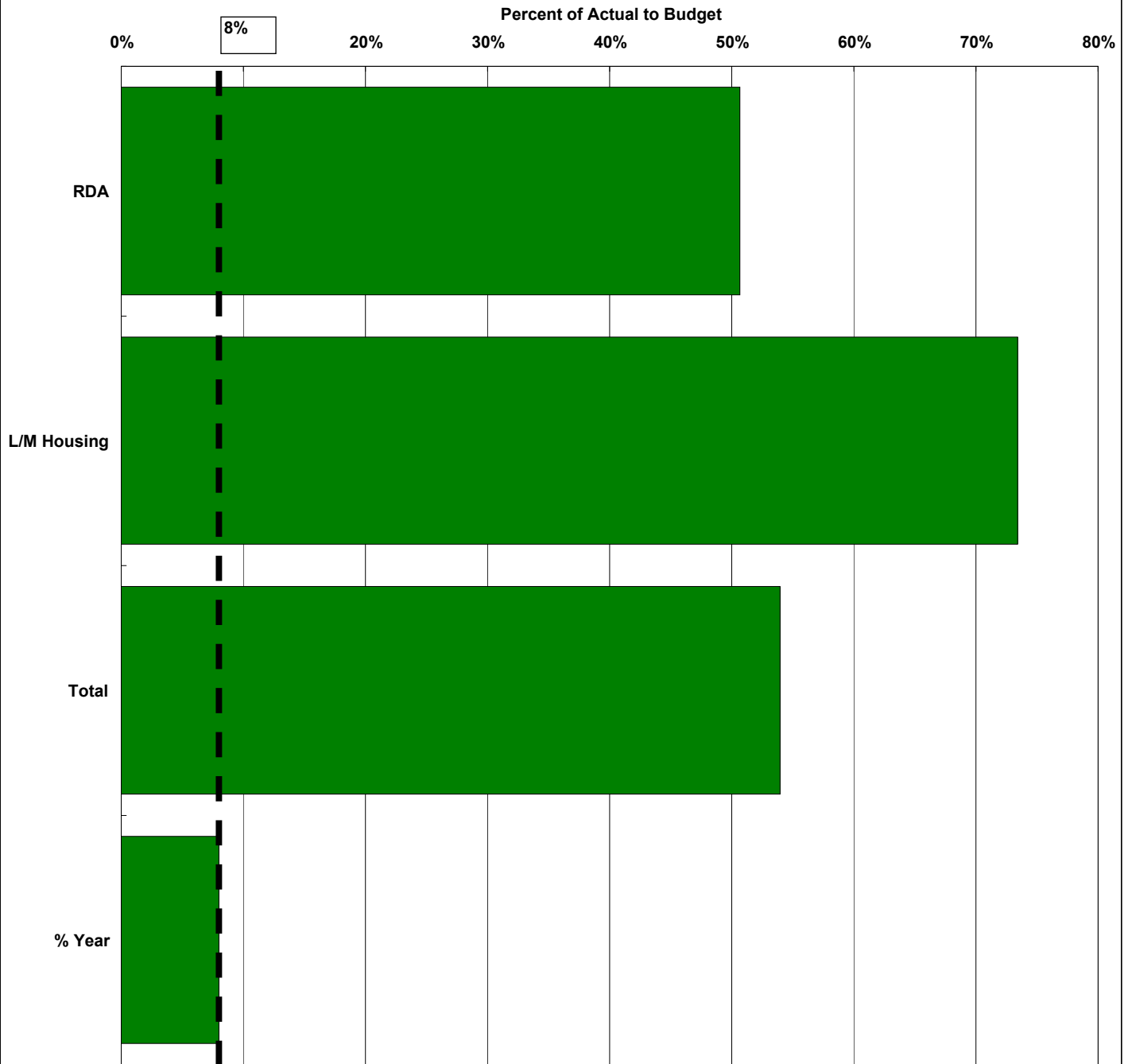
Budgeted expenditures plus encumbrances for Housing were at 73% of the budget for a total of \$3,371,052. During July, the Agency paid approximately \$3 million for the purchase of the Royal Court Apartments. Of this total, \$250,459 represented project encumbrances. Although certain loans and grants for various housing loan and grant programs have been committed, the related funds have not yet been drawn down by the recipients and, hence, are not reflected in the expenditures. All of the 2003/04 housing related expenditures have been funded with tax increment collected under the plan amendment.

**Fund Balance**

The unreserved fund balance of \$4,841,480 for the Capital Projects Fund at July 31, 2003, consisted entirely of monies collected under the plan amendment. The unreserved fund balance of \$4,841,480 at July 31 included future obligations to pay an additional \$3.6 million for the Courthouse Facility, an additional \$3,250,000 for purchase of the Gundersen property, and \$1.61 million for the Lomanto property should the Agency agree to execute its option to purchase in accordance with the agreement. If all these future commitments are subtracted from the \$4,841,480, the remaining unreserved fund balance at July 31 would be a negative (\$3,618,520). However, these commitments are expected to be paid out over the next 2 to 3 years.

The unreserved fund balance of \$2,727,262 for the Housing Fund at July 31 consisted of funds all collected under the plan amendment.

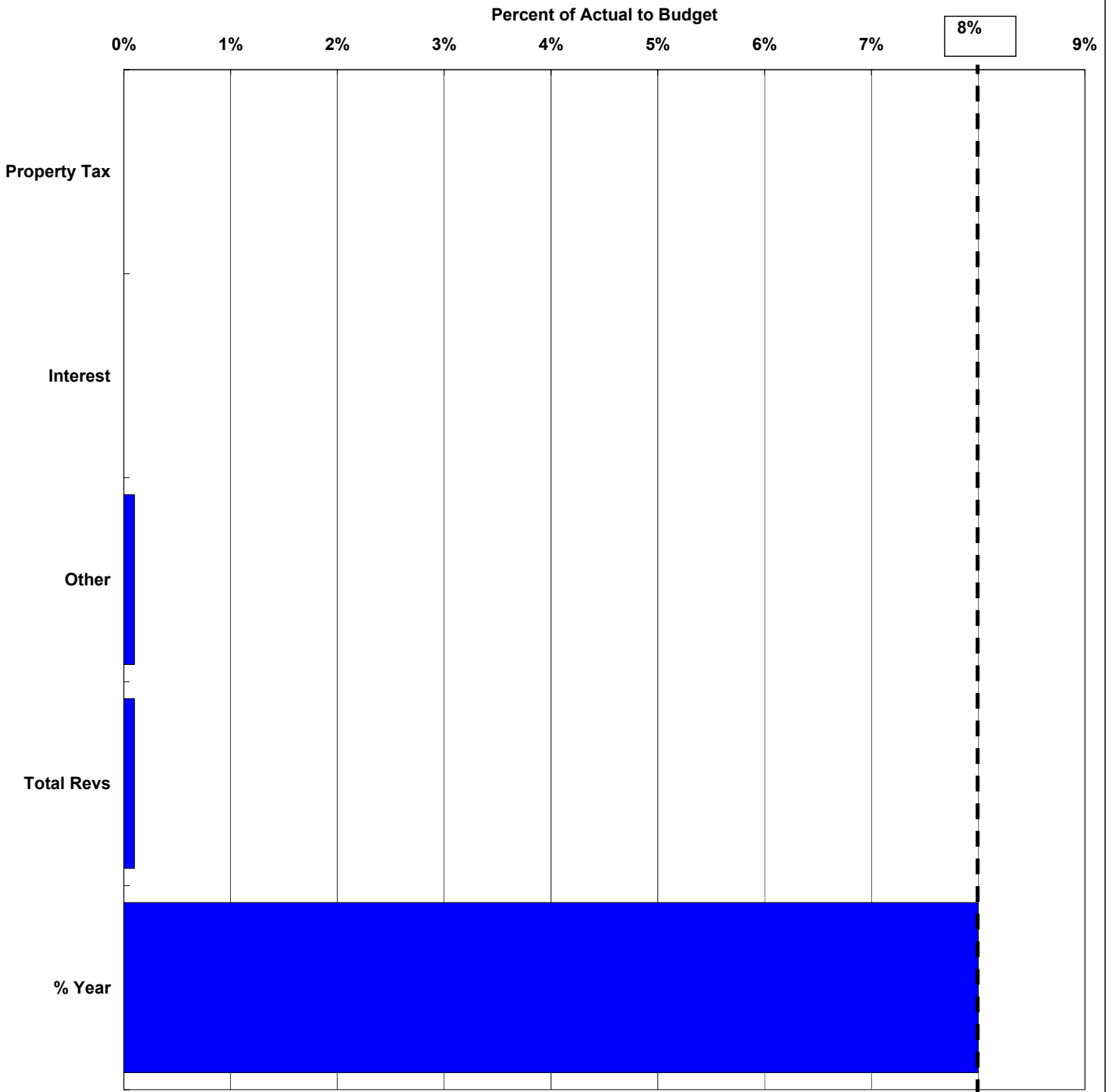
## Redevelopment Agency YTD Expenditures



Expenditure Category	Budget	Actual Plus Encumbrances	% of Budget
CAPITAL PROJECTS	\$27,346,151	\$13,858,024	51%
HOUSING	4,592,332	3,371,052	73%
TOTALS	\$31,938,483	\$17,229,076	54%



# Redevelopment Agency YTD Revenues



REVENUE CATEGORY	BUDGET	ACTUAL	% OF BUDGET	PRIOR YEAR TO DATE	% CHANGE FROM PRIOR YEAR
PROPERTY TAXES	\$17,877,658				
INTEREST INCOME/RENTS	\$45,364			\$312	-100%
OTHER REVENUE	\$23,536,663	\$27,626	0%	\$3,425	707%
TOTALS	\$27,373,112	\$27,626	0%	\$3,737	639%



Redevelopment Agency  
 Fund Balance Report - Fiscal Year 2002/03  
 For the Month of July 2003  
 8% of Year Complete

Fund No.	Fund	Unaudited Fund Balance 06-30-03	Revenues		Expenditures		Year to-Date Deficit or Carryover	Ending Fund Balance		Cash and Investments	
			YTD Actual	% of Budget	YTD Actual	% of Budget		Reserved <sup>1</sup>	Unreserved	Unrestricted	Restricted
317	CAPITAL PROJECTS	\$20,612,988	27,380	0%	6,175,534	23%	(6,148,154)	9,623,355	4,841,480	12,935,236	
327/328	HOUSING	\$23,004,079	246	0%	3,120,593	68%	(3,120,347)	17,156,469	\$2,727,262	2,980,757	
<b>TOTAL CAPITAL PROJECT FUNDS</b>		<b>\$43,617,067</b>	<b>27,626</b>	<b>0%</b>	<b>9,296,127</b>	<b>29%</b>	<b>(9,268,501)</b>	<b>26,779,824</b>	<b>7,568,742</b>	<b>15,915,993</b>	
<b>SUMMARY BY FUND TYPE</b>											
	CAPITAL PROJECTS GROUP	\$43,617,067	27,626	0%	9,296,127	29%	(9,268,501)	26,779,824	7,568,742	15,915,993	
<b>TOTAL ALL GROUPS</b>		<b>\$43,617,067</b>	<b>27,626</b>	<b>0%</b>	<b>9,296,127</b>	<b>29%</b>	<b>(9,268,501)</b>	<b>26,779,824</b>	<b>7,568,742</b>	<b>15,915,993</b>	
<b>TOTAL CASH AND INVESTMENTS</b>										<b>15,915,993</b>	

<sup>1</sup> Amount reserved for encumbrances, fixed asset replacement, long-term receivables



**Redevelopment Agency**  
**Year to Date Revenues - Fiscal Year 2003/04**  
**For the Month of July 2003**  
**8% of Year Complete**

FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGETED	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCREASE (DECREASE) FROM PRIOR YTD	% CHANGE
<b>CAPITAL PROJECTS FUNDS</b>							
<b>317 CAPITAL PROJECTS</b>							
Property Taxes & Supplemental Roll	14,086,573	14,086,573		n/a	-	-	n/a
Development Agreements				n/a	-	-	n/a
Interest Income, Rents				n/a	-	-	n/a
Other Agencies/Current Charges	<u>9,450,000</u>	<u>23,536,573</u>	<u>27,380</u>	<u>0%</u>	<u>3,415</u>	<u>23,965</u>	<u>702%</u>
<b>TOTAL CAPITAL PROJECTS</b>	<b><u>23,536,573</u></b>	<b><u>23,536,573</u></b>	<b><u>27,380</u></b>	<b><u>0%</u></b>	<b><u>3,415</u></b>	<b><u>23,965</u></b>	<b><u>702%</u></b>
<b>327/328 HOUSING</b>							
Property Taxes & Supplemental Roll	3,791,085	3,791,085		n/a		-	n/a
Interest Income, Rent	45,364	45,364		n/a	312	(312)	-100%
Other	<u>90</u>	<u>90</u>	<u>246</u>	<u>273%</u>	<u>10</u>	<u>236</u>	<u>2360%</u>
<b>TOTAL HOUSING</b>	<b><u>3,836,539</u></b>	<b><u>3,836,539</u></b>	<b><u>246</u></b>	<b><u>0%</u></b>	<b><u>322</u></b>	<b><u>(76)</u></b>	<b><u>-24%</u></b>
<b>TOTAL CAPITAL PROJECTS FUNDS</b>	<b>27,373,112</b>	<b>27,373,112</b>	<b>27,626</b>	<b>0%</b>	<b>3,737</b>	<b>23,889</b>	<b>639%</b>





**Redevelopment Agency**  
**Year to Date Expenditures - Fiscal Year 2003/04**  
**For the Month of July 2003**  
**8% of Year Complete**

FUND NO.	FUND/ACTIVITY	THIS MONTH ACTUAL EXPENDITURES	ADOPTED BUDGET	AMENDED BUDGET	YTD EXPENDITURES	OUTSTANDING ENCUMBRANCES	TOTAL ALLOCATED	% OF TOTAL TO BUDGET
317 CAPITAL PROJECTS								
	BAHS Administration	100,454	1,509,317	1,509,317	100,454	86,954	187,408	12%
	BAHS Economic Development	3,503,017	4,516,120	4,516,120	3,503,017	188,500	3,691,517	82%
	BAHS CIP	<u>2,572,063</u>	<u>21,320,714</u>	<u>21,320,714</u>	<u>2,572,063</u>	<u>7,407,036</u>	<u>9,979,099</u>	<u>47%</u>
	<b>TOTAL CAPITAL PROJECTS</b>	<b><u>6,175,534</u></b>	<b><u>27,346,151</u></b>	<b><u>27,346,151</u></b>	<b><u>6,175,534</u></b>	<b><u>7,682,490</u></b>	<b><u>13,858,024</u></b>	<b><u>51%</u></b>
327 AND 328 HOUSING								
	Housing	<u>3,120,593</u>	<u>4,592,332</u>	<u>4,592,332</u>	<u>3,120,593</u>	<u>250,459</u>	<u>3,371,052</u>	<u>73%</u>
	<b>TOTAL HOUSING</b>	<b><u>3,120,593</u></b>	<b><u>4,592,332</u></b>	<b><u>4,592,332</u></b>	<b><u>3,120,593</u></b>	<b><u>250,459</u></b>	<b><u>3,371,052</u></b>	<b><u>73%</u></b>
	<b>TOTAL CAPITAL PROJECT FUND</b>	<b>9,296,127</b>	<b>31,938,483</b>	<b>31,938,483</b>	<b>9,296,127</b>	<b>7,932,949</b>	<b>17,229,076</b>	<b>54%</b>



**Redevelopment Agency of the City of Morgan Hill**  
**Balance Sheet Report - Fiscal Year 2003/04**  
**For the Month of July 2003**  
**8% of Year Complete**

	<b>CAPITAL PROJECTS (Fund 317)</b>	<b>Housing (Fund 327/328)</b>
<b>ASSETS</b>		
Cash and investments:		
Unrestricted	12,935,236	2,980,757
Accounts Receivable	34,101	9,445
Loans and Notes Receivable <sup>1</sup>	2,869,785	22,486,994
Advance to Other Funds		
Fixed Assets <sup>2</sup>	71,049	
Other Assets		
<b>Total Assets</b>	<b>15,910,171</b>	<b>25,477,196</b>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	11,047	10,318
Deferred Revenue <sup>3</sup>	1,099,969	5,580,985
Accrued Vacation and Comp Time	5,249	2,162
<b>Total liabilities</b>	<b>1,116,265</b>	<b>5,593,465</b>
<b>FUND BALANCE</b>		
Fund Balance		
Reserved for:		
Encumbrances	7,682,490	250,459
Advance to Other Funds		
Properties Held for Resale	71,049	
Loans and Notes Receivable	1,769,816	16,906,010
<b>Total Reserved Fund balance</b>	<b>9,523,355</b>	<b>17,156,469</b>
Unreserved Fund Balance	5,270,551	2,727,262
<b>Total Fund Balance</b>	<b>14,793,906</b>	<b>19,883,731</b>
<b>Total Liabilities and Fund Balance</b>	<b>15,910,171</b>	<b>25,477,196</b>

<sup>1</sup> Includes Housing Rehab loans and loans for several housing and Agency projects.

<sup>2</sup> Includes RDA properties held for resale.

<sup>3</sup> Includes the deferred payment portion of the loans noted above.



## REDEVELOPMENT AGENCY STAFF REPORT

**MEETING DATE:** August 27, 2003

### CHAMBER OF COMMERCE AGREEMENT

**Agenda Item # 3**

**Prepared By:**

**BAHS Director**

**Submitted By:**

**Executive Director**

**RECOMMENDED ACTION(S):** Authorize the Executive Director to prepare and execute an agreement, in an amount not to exceed \$125,000, with the Morgan Hill Chamber of Commerce to implement their Community Development Marketing Plan.

#### **EXECUTIVE SUMMARY:**

The Chamber of Commerce (Chamber) has been providing supplementary business development services to the City/Redevelopment Agency for the past nine years. These services cover the areas of Economic Development, Downtown, and Tourism. City staff could not provide these additional services without adversely impacting existing workload and programs. The FY 02-03 contract with the Chamber was for \$125,000 which included expanded services for business retention and attraction.

The service agreement for FY03-04 takes a different approach from previous years. While the agreement is for the same amount of \$125,000 as the previous year, the Agency's funds will not be used to fund any Chamber staff overhead other than a share of the Chamber's space rent. The Agency's monies will be used to directly fund marketing services or materials. The Chamber proposes to cover its own overhead from its own revenues as well as augment the City's investment with funds raised from the private sector.

Attached is the Chamber's Community Development Marketing Plan (Plan) which will serve as the scope of work for their contract. The Chamber's services are summarized as follows:

#### Economic Development Activities

- Continue implementation of business retention and attraction program
- Retain marketing consultant to develop and implement marketing strategy
- Retain public relations firm to handle "external" public relations
- Develop and implement advertising campaign
- Develop collateral marketing materials
- Plan and coordinate economic development related events (e.g., "appreciation lunch")
- Maintain real estate property database on website

#### Downtown & Tourism Activities

- Participate as a board member of the Morgan Hill Downtown Association (MHDA) and assist with MHDA's activities.
- Work with the tourism advisory committee and assist with its activities

As part of the Chamber's year end report, they will: 1) evaluate how well they have met the goals of the Plan, 2) identify areas for improvement, 3) begin to develop performance measures for subsequent years, and 4) discuss how well the goals of the Plan match up with the City's economic development strategy. The Council's Economic Development Subcommittee recommends approval of an agreement with the Chamber to implement the Chamber's marketing plan.

**FISCAL IMPACT:** The BAHS FY03-04 economic development budget (Fund 317) allocated \$125,000 for this activity.



## ***CITY COUNCIL STAFF REPORT***

***MEETING DATE: August 27, 2003***

### **TITLE: AMENDMENT TO AGREEMENT WITH THE LAW FIRM OF HATCH & PARENT**

#### **RECOMMENDED ACTIONS:**

Authorize the City Manager to execute an Amendment to Agreement with the law firm of Hatch & Parent.

#### **EXECUTIVE SUMMARY:**

On May 21, 2002, the City contracted with the law firm of Hatch & Parent to provide the City with legal services in connection with the perchlorate land and water contamination. On April 16, 2003, Council approved a second contract with Hatch & Parent in the amount of \$50,000. As this matter is ongoing, staff is recommending that Council approve the attached Amendment to Agreement to increase the amount to \$175,000 to cover Hatch & Parent's continuing representation of the City's interests, as well as ongoing work by experts on the matter.

#### **FISCAL IMPACT**

The cost of this agreement will be appropriated from the water fund budget.

**Agenda Item # 4**

**Prepared By:**

\_\_\_\_\_  
**(Title)**

**Approved By:**

\_\_\_\_\_  
**(Department Director)**

**Submitted By:**

\_\_\_\_\_  
**City Manager**



## CITY COUNCIL STAFF REPORT

**MEETING DATE:** AUGUST 27, 2003

### APPROVAL TO JOIN SANTA CLARA COUNTY COLLABORATIVE INTEGRATED PEST MANAGEMENT PROGRAM

#### **RECOMMENDED ACTION(S):**

- 1) Receive report
- 2) Approve staff recommendation to join Santa Clara County's Collaborative IPM Program for education and training

**EXECUTIVE SUMMARY:** On March 21, 2001, Council directed staff to evaluate a proposed Reduced Pesticide Use Ordinance for the County of Santa Clara and recommend a position on the Ordinance. On April 4, 2001 staff returned to Council recommending that rather than taking a formal position on the County's Ordinance, that Council direct staff to: 1) Prepare a letter for the Mayor indicating the City's support for the general principles of reduced pesticide use 2) Evaluate the Reduced Risk Pesticide Use practices of San Francisco, Marin County, and other relevant agencies and consider how to adapt them for use in developing a City of Morgan Hill policy 3) Report back to Council with a recommendation regarding Reduced Pesticide Policy for the City.

The first of the Council's directions was completed. (See attached letter dated April 12, 2001) The second and third of the Council's directions are the purpose of this staff report.

Attached is a Memorandum from Deputy Public Works Director Mori Struve to City Manager Ed Tewes reporting on the Reduced Pesticide Use Practices of San Francisco, Marin County, and other relevant agencies, and a recommendation on seeking further training, education, product efficacy, and information through Santa Clara County.

Staff recommends participation in the County of Santa Clara's Collaborative Integrated Pest Management Program to receive education and training preparatory to the development of a City of Morgan Hill IPM Ordinance and or Program in approximately two years.

**FISCAL IMPACT:** The Santa Clara County Collaborative IPM Program cost to participating cities throughout the County is estimated at a maximum of \$1,200 annually. The 2003-04 Public Works Operations Budget contains sufficient funding for this expense.

**Agenda Item # 5**

**Prepared By:**

**Deputy Director Public  
Works/Operations**

**Approved By:**

**Public Works Director**

**Submitted By:**

**City Manager**

# Memorandum

## Public Works Department

**Date:** July 18, 2003

**To:** J. Edward Tewes, City Manager

**From:** Mori Struve, Deputy Director of Public Works-Operations

**Subject:** Reduced Pesticide Use Practices

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The purpose of this Memorandum is threefold:

- Provide an explanation of what an Integrated Pest Management Plan (IPM) is and its intended purposes.
- Summarize the IPM's of the City of San Francisco, Marin County and Santa Clara County  
Including comments on their applicability to the City of Morgan Hill.
- Provide a staff recommendation proposing our participation in a Santa Clara County joint cities collaborative IPM Program to receive education and training preparatory to the development of a City of Morgan Hill IPM Ordinance and or Program in approximately 2 years.

### Integrated Pest Management Plan (IPM)- What is it and what are its purposes?

A desire to know that the City of Morgan Hill is using pesticides judiciously has been expressed to the City Council and as a result the City desires to estimate the cost of and develop an IPM practice and policy that is responsive to that concern.

For purposes of discussion, the term "pesticides" means: 2) herbicides for the control of weeds and other vegetation 3) insecticides for the control of insects 4) disinfectants and sanitizers to control disease-causing microorganisms on inanimate objects) 5) rodenticides for control of rats, mice and other rodents.

IPM does not eliminate the use of chemical pesticides, but instead uses them only when needed.

Integrated Pest Management is an approach to pest control that uses regular monitoring and record keeping to determine if and when treatments are needed. It employs a combination of strategies and practices to keep pest numbers low enough to prevent unacceptable annoyance

or damage. An IPM strategy focuses on long-term prevention or suppression of pest problems through a combination of techniques such as monitoring for pest presence and establishing treatment threshold levels, using non-chemical practices to make the habitat less conducive to pest development, improving sanitation, and employing mechanical and physical controls. Pesticides that pose the least possible hazard and are effective in a manner that minimizes risks to people, property, and the environment, are used only after careful monitoring indicates that they are needed according to pre-established guidelines and treatment thresholds.

Using IPM techniques saves time, money, and energy, as well as decreasing the use of pesticides. Practical methods prevent pest problems that allow pests to flourish, detecting pests early before the population grows and by establishing records so that outbreaks can be predicted.

### Summary of the IPM's of the City of San Francisco, Marin County and Santa Clara County and their applicability to the City of Morgan Hill.

#### *City of San Francisco*

The City of San Francisco adopted a pesticide ordinance in 1996 when the Board of Supervisors voted unanimously to pass a cutting-edge ordinance that would significantly reduce the use of hazardous pesticides by all city departments. The policy, among other things, immediately banned the use of pesticides linked to cancer, reproductive harm, and those that are most acutely toxic. The ordinance increased the public's right-to-know by requiring posting of most pesticide applications 72 hours before and after an application. It also established an IPM as the management framework for all departments and banned all pesticides except for a list of approved pesticides effective January 1, 2000. This policy was the strongest local policy in the nation and has successfully contributed to a movement to adopt similar policies through cities across the nation.

Within the City of San Francisco's Department of the Environment resides a full time dedicated staff person who coordinates the IPM program and works with IPM appointees in each of the 80 Departments throughout the city. There is also a Technical Advisory Committee which works with the Department of the Environment to guide program implementation.

It would be ideal that a full-time dedicated staff person be accountable to monitor and administer a program as comprehensive as the City of San Francisco's for the City of Morgan Hill. Lacking the resources and staff to have a dedicated City-wide IPM Coordinator at this time, the City of Morgan Hill could move forward at this time by adopting an IPM program administered within individual departments throughout the city by the appointment of a Department contact for those departments identified as the biggest users of pesticides.

#### *Marin County*

In 1983 the Department of Parks and Open Space and the Cultural Commission adopted an IPM policy to broaden awareness about potential dangers intrinsic in toxic pesticide use and to minimize the impact of pesticides on County Property. In 1997, the County of Marin adopted an IPM Ordinance that seeks to reduce overall pesticide use 75% by the year 2004.

The County Agricultural Commissioner serves as the designated IPM coordinator. He works with an IPM Commission to submit annual reports documenting the amount and types of

pesticides used throughout the County.

To meet the 75% reduction goal by 2004 the County must reduce pesticides to no more than 15 gallons annually. To do this pesticides must be used only as a last resort. Other methods of mulching, manual hoeing, and growing cover crops are used.

The County of Marin like the City of San Francisco utilizes Department appointees to coordinate the IPM Program within each department with each reporting to an Agency-wide IPM coordinator who functions through an IPM Commission.

Regardless of the size of the public agency typical components of an IPM ordinance are:

- Pesticide Use Reduction Guidelines
- Restrictions on the use of pesticides
- Pesticide Selection Criteria
- Notification/Posting Requirements
- Record Keeping
- Exemptions
- Requirements for IPM Contracts

Attached is the County of Santa Clara's IPM Ordinance adopted in May of 2002. The components of their ordinance are substantially the same as those listed above.

I contacted Mr. Naresh Duggal, IPM Coordinator for the County of Santa Clara. The County recommends cities adopting ordinances that are similar to the County's to create consistency throughout the County in ordinance and practice.

At this time out of the 15 cities in the County of Santa Clara, only the City of Palo Alto has completed an IPM Ordinance and Program. The cities of Sunnyvale, Santa Clara, Cupertino, Monte Sereno, and Campbell, have partial IPM policies.

On August 12, 2003, I attended an IPM Technical Advisory Group meeting held at the County of Santa Clara. In this meeting I learned of an effort being initiated at the staff level by the County's IPM Coordinator, Naresh Duggal, to create a collaborative group among all the Cities in Santa Clara County for the purposes of: 1) Furthering education on effective IPM products and practices 2) Assistance for cities in developing practical IPM ordinances and programs, 3) Developing effective training for agency staffs 4) Developing an IPM manual of best-practices.

Mr. Duggal will bring the proposal to form this group before the Housing, Land Use, Environment, and Transportation IPM (HLUET-IPM) Committee Chaired by County Supervisor Don Gage on August 21, 2003. If supported by this Committee, Mr. Duggal will make a recommendation before the County Board of Supervisors in September 23, or October 7, 2003. As proposed, this joint-cities group would cost each city \$1,200 annually to participate. A copy of the HLUET-IPM Committee report and Mr. Duggal's proposal is attached.

I recommend that we proceed gaining the education and training needed preparatory to developing an IPM ordinance and program by participating in the County's joint-cities collaborative program. Then, within 2 years consider what level of professional services may be needed to develop an IPM ordinance and or program modeled after the County of Santa Clara's tailored to the needs and conditions of the City of Morgan Hill.





***CITY COUNCIL STAFF REPORT***  
***MEETING DATE: AUGUST 27, 2003***

***FINAL MAP ACCEPTANCE FOR CAPRIANO PHASE V***  
***(TRACT 9525)***

**RECOMMENDED ACTION(S):**

- 1) Approve and authorize recordation of the final map

**EXECUTIVE SUMMARY:**

Tract 9525 is a 13 lot subdivision located on Basil Ct. and Saffron Drive in the Capriano development (see attached location map). The developer has completed all the conditions specified by the Planning Commission in the approval of the Tentative Map on July 22, 2003.

The developer has furnished the City with the necessary documents to complete the processing of the Final Map and has made provision with a Title Company for the recordation of the Final Map.

**FISCAL IMPACT:**

Development review for this project is from development processing fees.

**Agenda Item # 6**

**Prepared By:**

**Senior Civil Engineer**

**Approved By:**

**Public Works Director**

**Submitted By:**

**City Manager**



## ***CITY COUNCIL STAFF REPORT***

***MEETING DATE: AUGUST 27, 2003***

### **APPROVAL OF RIGHT-OF-WAY PURCHASE AGREEMENT FOR TENNANT AVENUE WIDENING PROJECT (APN: 817-04-007)**

**RECOMMENDED ACTION:** Approve purchase and authorize City Manager to execute purchase agreement, subject to approval as to form by City Attorney, with the owner of APN 817-04-007 for total compensation of \$47,741 plus escrow and closing costs for the acquisition of this property.

**EXECUTIVE SUMMARY:** Staff has been working on acquiring right-of-way for the widening of Tennant Avenue since August 2002, which requires portions from seven separate properties (six owners). On February 19, 2002, Council authorized the purchase of road right-of-way from parcels APN 817-004-004 and 817-004-005. Since then, staff has reached a tentative settlement with the property owner of APN 817-004-003 and is currently finalizing the details.

The property owner of parcel APN 817-04-007 and the City's real property acquisition consultant have reached agreement on acquisition of a 2,129 square foot right-of-way for total compensation of \$47,741. See Exhibits A and B for further detail of this acquisition.

The remaining three properties have rental units which would require relocation or demolition due to their proximity to the widened roadway. Although all the property owners expressed support for the completion of this project, there are monetary issues which have been very hard to resolve. Cutler & Associates, the City's Real Estate and Property Acquisition Consultant, has been negotiating with the remaining three owners.

The plans and specifications for this project are currently on hold until all of the acquisitions are finalized. It remains a staff goal to begin construction this fall, contingent upon acquiring right-of-way. Based on this time schedule, it is anticipated that the completion of Tennant Avenue widening will be during the first quarter of 2004.

**FISCAL IMPACT:** This project is funded in the FY 01/02 Capital Improvement Program (CIP) Budget, Project #507B99 with total appropriations of \$240,000 for right-of-way acquisition.

#### **Agenda Item #7**

**Prepared By:**

**Associate Engineer**

**Approved By:**

**Public Works Director**

**Submitted By:**

**City Manager**

<b>EXHIBIT A</b>				
<b>PROPERTY APN #</b>	<b>PROPERTY OWNER</b>	<b>PURCHASE AMOUNT</b>	<b>ESCROW &amp; TITLE INSURANCE COSTS</b>	<b>TOTAL</b>
<b>817-04-007</b>	<b>CAROLINA H. GOSE', TRUSTEE</b>	<b>\$ 47,741</b>	<b>\$3,000</b>	<b>\$50,741</b>



## ***CITY COUNCIL STAFF REPORT***

***MEETING DATE: August 27, 2003***

### **JUNE 2003 FINAL FINANCE & INVESTMENT REPORT**

#### **RECOMMENDED ACTION:**

Accept and File Report

#### **EXECUTIVE SUMMARY:**

Attached is the final monthly Finance and Investment Report for the period ended June 30, 2003. The report covers the twelve months of activity for the 2002/2003 fiscal year. A summary of the report is included on the first page for the City Council's benefit.

The monthly Finance and Investment Report is presented to the City Council and our Citizens as part of our ongoing commitment to improve and maintain public trust through communication of our finances, budget and investments. The report also serves to provide the information necessary to determine the adequacy/stability of financial projections and develop equitable resource/revenue allocation procedures.

This report covers all fiscal activity in the City, including the Redevelopment Agency. The Redevelopment Agency receives a separate report for the fiscal activity of the Agency at the meeting of the Agency. Presenting this report is consistent with the goal of *Maintaining and Enhancing the Financial Viability of the City*.

**FISCAL IMPACT:** as presented

**Agenda Item # 8**

**Prepared By:**

\_\_\_\_\_  
**Finance Director**

**Submitted By:**

\_\_\_\_\_  
**City Manager**

**CITY OF MORGAN HILL**  
**Monthly Financial and Investment Reports**  
**June 30, 2003 – 100% Year Complete**



**CITY OF MORGAN HILL**

**Prepared by:**  
**FINANCE DEPARTMENT**



CITY OF MORGAN HILL, CALIFORNIA  
FINAL UNAUDITED FINANCIAL STATEMENT ANALYSIS - FISCAL YEAR 2002/03  
FOR THE MONTH OF JUNE 2003 - 100% OF YEAR COMPLETE

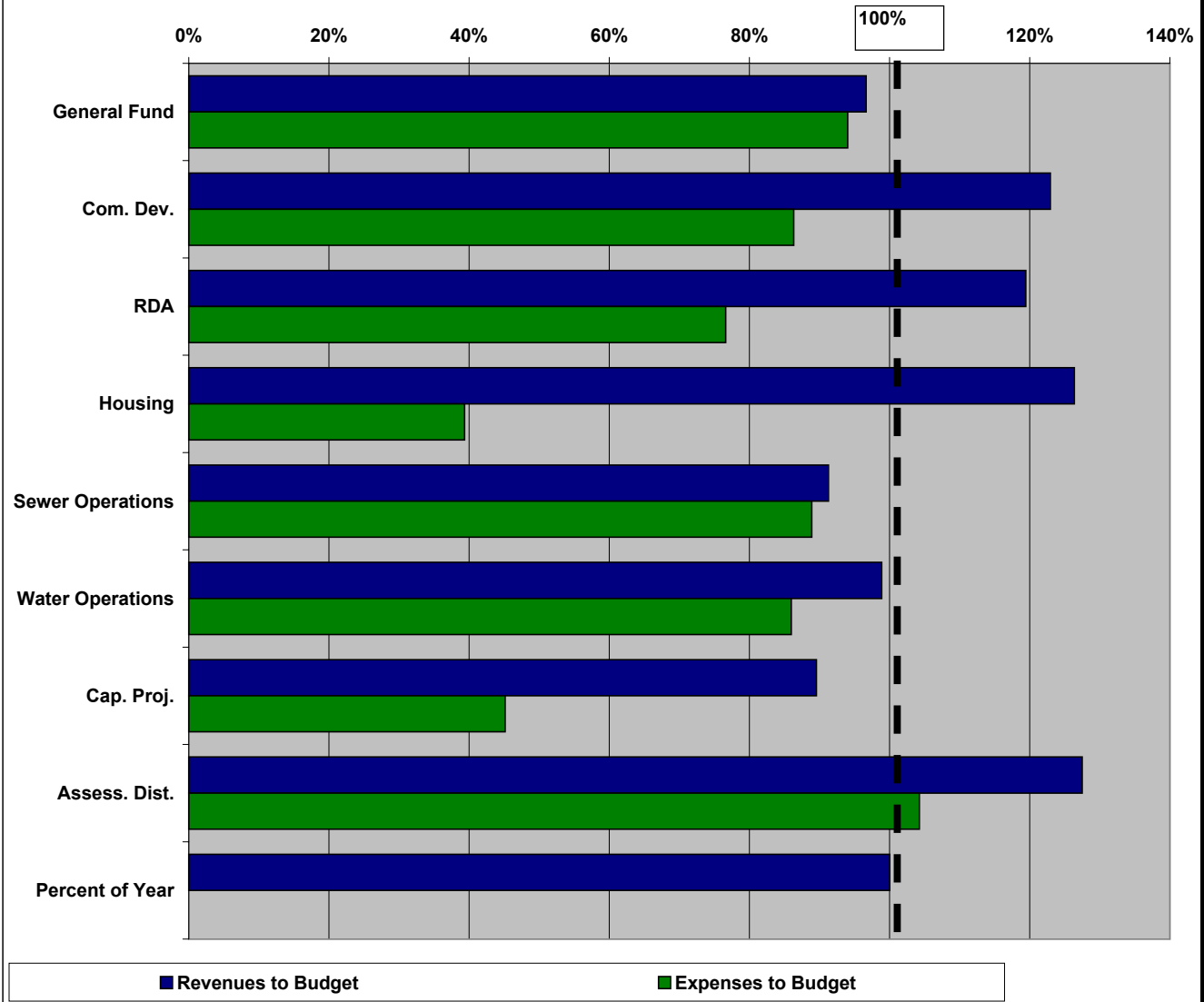
This analysis of the status of the City's financial situation reflects 100% of the year.

- \* **General Fund** - The revenues received in the General Fund were approximately 97% of the budgeted revenues. Property related taxes received through June 30 totaled 117% of budget. The amount of Sales Tax collected was 87% of the sales tax revenue budget and was 5% less than at this time last year. An amount equal to 100% of the budget for franchise fees has been collected to date. Business license and other permit collections were 94% of the budgeted amount. Motor Vehicle-in-Lieu revenues were 104% of the budgeted amounts, up 7% compared to last year. Interest & Other Revenue were only 90% of budget. The amount of Interest & Other Revenue collected was low because the City collected less rental income for Community & Cultural Center rental activity than anticipated and because declining interest rates have generated less interest earnings.
- \* The General Fund expenditures and encumbrances to date totaled 94% of the budgeted appropriations. This total includes several activities for projects started in the last fiscal year; these projects and the related encumbrances were carried forward from the prior fiscal year.
- \* **Transient Occupancy (Hotel) Tax** - The TOT rate is 10%. The City received \$882,194 in revenue for the fiscal year, or 99% of the budgeted amount. The amount received was 5% less than the amount received in the same period for the prior year.
- \* **Community Development** - Revenues were 123% of budget, which was 21% more than the amount collected in the like period for the prior year. Increased revenues were received from building, planning, and engineering fees. Planning expenditures plus encumbrances were 91% of budget, Building has expended or encumbered 81% of budget and Engineering 85%. Community Development has expended or encumbered a combined total of 86% of the 2002/03 budget, including \$253,862 in encumbrances.
- \* **RDA and Housing** - Property tax increment revenues of \$19,067,641, or 123% of budget, have been received as of June 30. This total has been reduced by \$581,354 which the Redevelopment Agency paid back to the County in May 2003, as required by a State law enacted to help balance the 2002/03 State budget prior to adoption of that budget. Redevelopment expenditures plus encumbrances for Business Assistance and Housing were 70 % of budget, including \$7,663,921 in encumbrances.
- \* **Water and Sewer Operations**- Water Operations revenues, including service fees, were 99% of budget. Expenditures totaled 86% of appropriations. Sewer Operations revenues, including service fees, were 91% of budget. Expenditures for sewer operations were 89% of budget.
- \* **Investments maturing/called/sold during this period.** - During the month of June, \$2 million in federal agency investments was called, due to declining interest rates, and \$2 million was invested in federal agency investments. Further details of all City investments are contained on pages 6-8 of this report.



# Morgan Hill YTD Revenue & Expense Summary

June 30, 2003 – 100 % Year Complete



FUND NAME	REVENUES		EXPENSES		6/30/03 UNRESTRICTED FUND BALANCE
	ACTUAL	% OF BUDGET	ACTUAL plus ENCUMBRANCES	% OF BUDGET	
General Fund	\$15,715,236	97%	\$16,024,204	94%	\$10,923,458
Community Development	2,604,185	123%	3,203,464	86%	1,278,248
RDA	15,324,283	119%	24,867,061	77%	11,184,505
Housing/CDBG	4,763,089	126%	2,843,541	39%	6,035,267
Sewer Operations	5,291,969	91%	6,159,133	89%	4,692,284
Sewer Other	1,993,039	98%	3,844,797	47%	10,958,661
Water Operations	6,387,088	99%	8,463,563	86%	1,854,079
Water Other	1,996,149	55%	4,389,069	81%	3,427,888
Other Special Revenues <sup>1</sup>	1,090,731	100%	1,652,639	60%	2,852,429
Capital Projects & Streets Funds	5,368,300	90%	6,231,865	45%	22,396,657
Debt Service Funds	280,283	127%	511,696	104%	508,379
Internal Service	4,796,528	118%	4,194,426	102%	4,734,527
Agency	2,778,214	109%	3,437,042	100%	5,199,795
<b>TOTAL FOR ALL FUNDS</b>	<b>\$68,389,094</b>	<b>102%</b>	<b>\$85,822,500</b>	<b>73%</b>	<b>\$86,046,177</b>

<sup>1</sup> Includes all Special Revenue Funds except Community Development, CDBG, and Street Funds



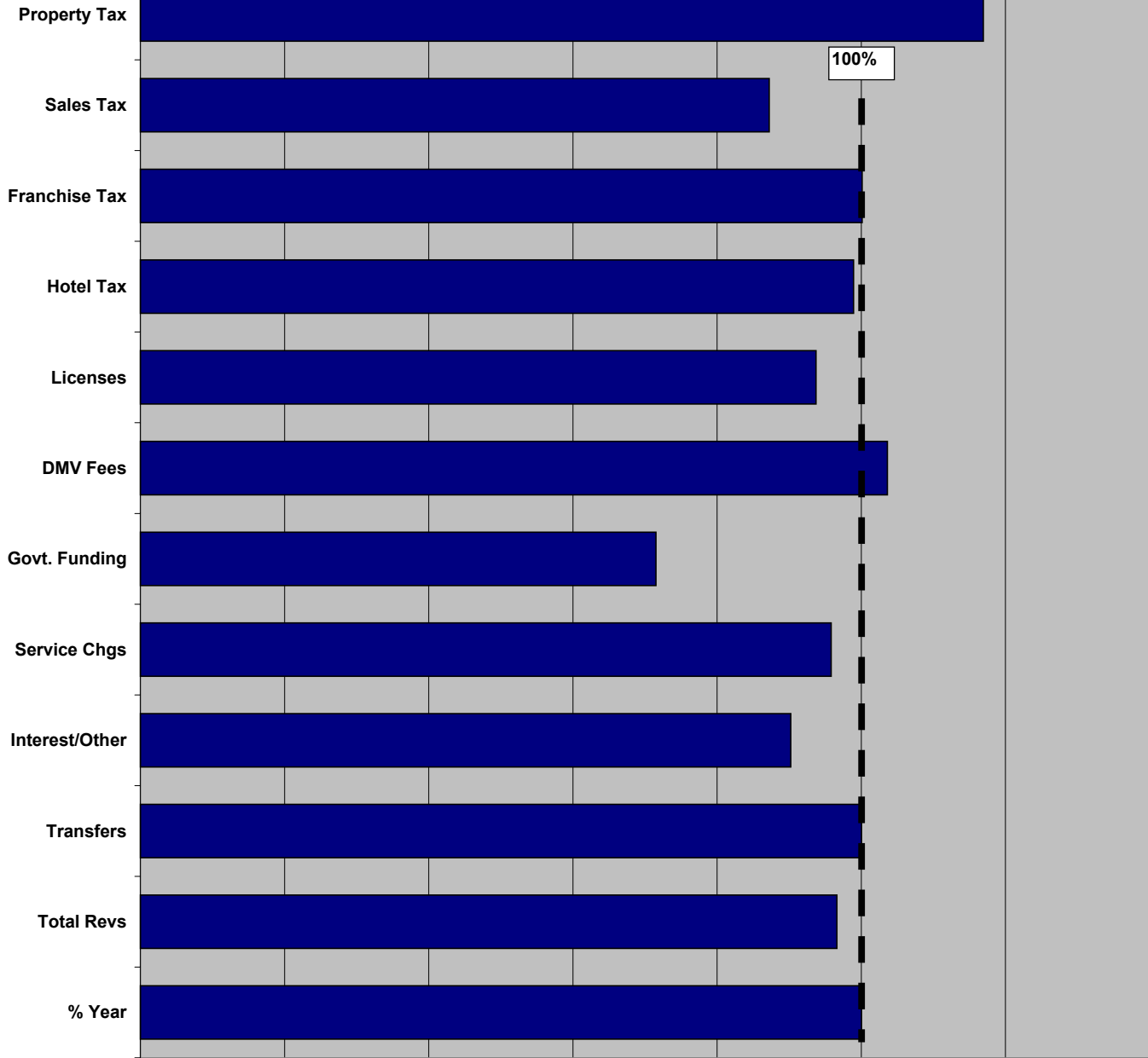
# Morgan Hill YTD General Fund Revenues

Percent of Actual to Budget

120%

140%

June 30, 2003 – 100% Year Complete



REVENUE CATEGORY	BUDGET	ACTUAL	% OF BUDGET	PRIOR YEAR TO DATE	% CHANGE FROM PRIOR YEAR
PROPERTY RELATED TAXES	\$2,228,000	\$2,603,516	117%	\$2,434,906	7%
SALES TAXES	\$5,618,400	\$4,901,530	87%	\$5,160,000	-5%
FRANCHISE FEE	\$965,000	\$966,134	100%	\$954,641	1%
HOTEL TAX	\$892,000	\$882,194	99%	\$931,716	-5%
LICENSES/PERMITS	\$209,450	\$196,209	94%	\$205,595	-5%
MOTOR VEHICLE IN LIEU	\$1,965,000	\$2,035,157	104%	\$1,904,697	7%
FUNDING - OTHER GOVERNMENTS	\$228,300	\$163,211	72%	\$254,706	-36%
CHARGES CURRENT SERVICES	\$2,312,076	\$2,214,079	96%	\$1,926,144	15%
INTEREST & OTHER REVENUE	\$917,850	\$827,874	90%	\$756,531	9%
TRANSFERS IN	\$925,332	\$925,332	100%	\$868,272	7%
TOTALS	\$16,261,408	\$15,715,236	97%	\$15,397,208	2%

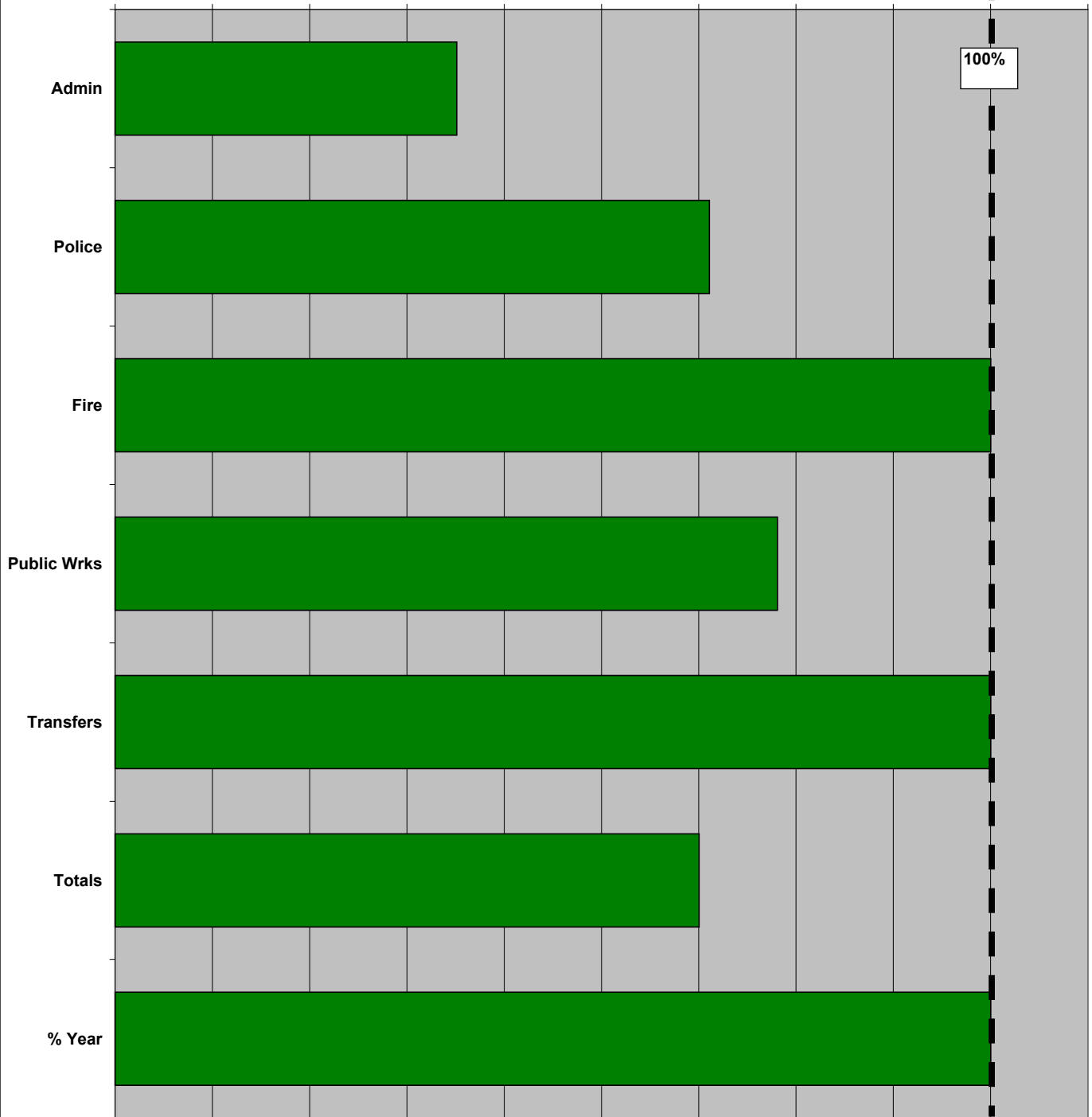




# Morgan Hill YTD General Fund Expenditures

Percent of Actual to Budget

June 30, 2003 - 100% Year Complete



Expenditure Category	Budget	Actual Plus Encumbrances	% of Budget
ADMINISTRATION	5,562,625	4,951,901	89%
POLICE	6,443,305	6,070,690	94%
FIRE	3,623,938	3,623,938	100%
PUBLIC WORKS	879,230	840,675	96%
TRANSFERS OUT	537,000	537,000	100%
TOTALS	\$ 17,046,098	\$ 16,024,204	94%



**City of Morgan Hill**  
**Fund Activity Summary - Fiscal Year 2002/03**  
**For the Month of June 30, 2003**  
**100% of Year Completed**

Fund No.	Fund	Fund Balance 06-30-02	Revenues		Expenses		Year to-Date Deficit or Carryover	Ending Fund Balance		Cash and Investments	
			YTD Actual	% of Budget	YTD Actual	% of Budget		Reserved <sup>1</sup>	Unreserved	Unrestricted	Restricted <sup>2</sup>
010	GENERAL FUND	\$11,232,426	\$15,715,236	97%	\$15,937,846	93%	(\$222,610)	\$86,358	\$10,923,458	\$11,193,437	\$4,150
<b>TOTAL GENERAL FUND</b>		<b>\$11,232,426</b>	<b>\$15,715,236</b>	<b>97%</b>	<b>\$15,937,846</b>	<b>93%</b>	<b>(\$222,610)</b>	<b>\$86,358</b>	<b>\$10,923,458</b>	<b>\$11,193,437</b>	<b>\$4,150</b>
202	STREET MAINTENANCE	\$1,615,397	\$1,891,688	105%	\$1,853,862	56%	\$37,826	\$813,747	\$839,476	\$1,582,974	\$10,794
204/205	PUBLIC SAFETY/SUPPL. LAW	\$641,108	\$159,780	100%	\$315,538	100%	(\$155,758)		\$485,350	\$482,634	
206	COMMUNITY DEVELOPMENT	\$1,877,527	\$2,604,185	123%	\$2,949,602	79%	(\$345,417)	\$253,862	\$1,278,248	\$1,598,168	
207	GENERAL PLAN UPDATE	\$110,827	\$124,336	109%	\$44,291	22%	\$80,045	\$126,156	\$64,716	\$204,198	
210	COMMUNITY CENTER	\$754,628	\$125,861	106%	\$520,332	100%	(\$394,471)		\$360,157	\$357,888	
215 / 216	CDBG	\$566,540	\$45,537	20%	\$50,820	22%	(\$5,283)	414,896	\$146,361	\$125,028	
220	MUSEUM RENTAL	\$3,807	\$85	40%	\$2,947	96%	(\$2,862)		\$945	\$1,093	
225	ASSET SEIZURE	\$56,567	\$1,529	74%	\$20,000	59%	(\$18,471)		\$38,096	\$37,900	
226	OES/FEMA			n/a							
229	LIGHTING AND LANDSCAPE	\$64,203	\$133,285	124%	\$163,704	117%	(\$30,419)	\$12,246	\$21,538	\$63,552	
232	ENVIRONMENT PROGRAMS	\$465,250	\$417,555	110%	\$268,959	70%	\$148,596	\$47,865	\$565,981	\$534,129	
234	MOBILE HOME PK RENT STAB.	\$53,314	\$18,033	719%	\$61,539	87%	(\$43,506)		\$9,808	\$25,768	
235	SENIOR HOUSING	\$236,123	\$19,487	23%			\$19,487		\$255,610	\$254,294	
236	HOUSING IN LIEU	\$1,028,510	\$35,297	94%	20,500	87%	\$14,797	-	\$1,043,307	\$1,042,170	
240	EMPLOYEE ASSISTANCE		\$55,483	69%	48,562	2%	\$6,921		\$6,921	\$8,275	
<b>TOTAL SPECIAL REVENUE FUNDS</b>		<b>\$7,473,801</b>	<b>\$5,632,141</b>	<b>107%</b>	<b>\$6,320,656</b>	<b>63%</b>	<b>(\$688,515)</b>	<b>\$1,668,772</b>	<b>\$5,116,514</b>	<b>\$6,318,071</b>	<b>\$10,794</b>
301	PARK DEV. IMPACT FUND	\$2,871,149	\$488,417	43%	\$167,936	5%	\$320,481	\$111,684	\$3,079,946		\$3,190,383
302	PARK MAINTENANCE	\$2,692,750	\$345,303	222%	\$128,809	76%	\$216,494		\$2,909,244	\$2,894,214	
303	LOCAL DRAINAGE	\$2,534,182	\$388,873	123%	\$12,100	1%	\$376,773	\$3,500	\$2,907,455		\$2,896,121
304	LOCAL DRAINAGE/NON-AB1600	\$3,067,721	\$299,746	214%	\$90,952	23%	\$208,794		\$3,276,515	\$3,120,379	
305	OFF-STREET PARKING	\$3,886	\$134	88%			\$134		\$4,020	\$4,000	
306	OPEN SPACE	\$244,803	\$90,157	n/a			\$90,157	\$20,000	\$314,960	\$333,314	
309	TRAFFIC IMPACT FUND	\$2,870,728	\$875,474	81%	\$921,074	60%	(\$45,600)	\$349,999	\$2,475,129		\$2,818,748
311	POLICE IMPACT FUND	\$1,168,761	\$95,368	147%	\$81,084	8%	\$14,284	\$20,000	\$1,163,045		\$1,176,990
313	FIRE IMPACT FUND	\$2,515,636	\$240,307	144%	\$152,084	100%	\$88,223		\$2,603,859		\$2,590,542
317	REDEVELOPMENT AGENCY	\$22,668,149	\$15,324,283	119%	\$17,417,839	54%	(\$2,093,556)	9,390,088	\$11,184,505	\$18,757,369	
327 / 328	HOUSING	\$20,823,005	\$4,717,552	133%	\$2,523,715	35%	\$2,193,837	17,127,936	\$5,888,906	\$6,139,489	
340	MORGAN HILL BUS.RANCH I	\$46,679	\$1,611	88%			\$1,611		\$48,290	\$48,041	
342	MORGAN HILL BUS.RANCH II	\$52,423	\$1,809	88%			\$1,809		\$54,232	\$53,953	
346	PUBLIC FACILITIES NON-AB1600	\$1,033,867	\$298,847	118%			\$298,847		\$1,332,714	\$1,326,604	
347	PUBLIC FACILITIES IMPACT FUND	\$1,058,347	\$94,496	64%	\$487,210	42%	(\$392,714)	\$949,534	(\$283,901)		\$691,910
348	LIBRARY IMPACT FUND	\$368,112	\$47,208	130%	\$864	415%	\$46,344		\$414,456		\$412,348
350	UNDERGROUNDING	\$1,135,781	\$208,862	30%	\$87,426	12%	\$121,436		\$1,257,217	\$1,250,757	
<b>TOTAL CAPITAL PROJECT FUNDS</b>		<b>\$65,155,979</b>	<b>\$23,518,447</b>	<b>114%</b>	<b>\$22,071,093</b>	<b>44%</b>	<b>\$1,447,354</b>	<b>\$27,972,741</b>	<b>\$38,630,592</b>	<b>\$33,928,120</b>	<b>\$13,777,042</b>
527	HIDDEN CREEK			n/a							
533	DUNNE/CONDIT			n/a							
536	ENCINO HILLS	\$65,771	\$2,256	54%			\$2,256		\$68,027	\$67,179	
539	MORGAN HILL BUS. PARK	\$11,486	\$381	5%			\$381		\$11,867	\$11,246	
542	SUTTER BUSINESS PARK	\$24,079	\$831	13%			\$831		\$24,910	\$24,782	
545	COCHRANE BUSINESS PARK	\$606,826	\$243,155	153%	\$475,563	106%	(\$232,408)		\$374,418	\$191,550	\$180,950
551	JOLEEN WAY	\$31,630	\$33,660	78%	\$36,133	85%	(\$2,473)		\$29,157	\$11,864	\$17,250
<b>TOTAL DEBT SERVICE FUNDS</b>		<b>\$739,792</b>	<b>\$280,283</b>	<b>127%</b>	<b>\$511,696</b>	<b>104%</b>	<b>(\$231,413)</b>		<b>\$508,379</b>	<b>\$306,621</b>	<b>\$198,200</b>



**City of Morgan Hill**  
**Fund Activity Summary - Fiscal Year 2002/03**  
**For the Month of June 30, 2003**  
**100% of Year Completed**

Fund No.	Fund	Fund Balance 06-30-02	Revenues		Expenses		Year to-Date Deficit or Carryover	Ending Fund Balance		Cash and Investments	
			YTD Actual	% of Budget	YTD Actual	% of Budget		Reserved <sup>1</sup>	Unreserved	Unrestricted	Restricted <sup>2</sup>
640	SEWER OPERATIONS	\$17,312,471	\$5,291,969	91%	\$6,063,088	87%	(\$771,119)	\$11,849,068	\$4,692,284	\$4,537,205	\$1,862,703
641	SEWER IMPACT FUND	\$7,244,335	\$1,043,260	80%	\$2,182,185	44%	(\$1,138,925)	1,682,948	\$4,422,462		\$4,958,670
642	SEWER RATE STABILIZATION	\$3,469,485	\$336,933	273%	\$2,190	100%	\$334,743		\$3,804,228	\$3,784,638	
643	SEWER-CAPITAL PROJECTS	\$9,417,751	\$612,846	101%	\$1,347,389	43%	(\$734,543)	5,951,237	\$2,731,971	\$3,156,552	
650	WATER OPERATIONS	\$23,155,862	\$6,387,088	99%	\$7,810,430	27%	(\$1,423,342)	\$19,878,441	\$1,854,079	\$1,806,947	\$390,413
651	WATER IMPACT FUND	\$2,757,348	\$638,071	27%	\$1,539,996	49%	(\$901,925)	2,956,352	(\$1,100,930)		\$124,965
652	WATER RATE STABILIZATION	\$838,989	\$28,949	88%	\$509	100%	\$28,440		\$867,429	\$862,962	
653	WATER -CAPITAL PROJECT	\$7,869,151	\$1,329,129	110%	\$1,630,687	35%	(\$301,558)	3,906,205	\$3,661,389	\$3,894,406	
<b>TOTAL ENTERPRISE FUNDS</b>		<b>\$72,065,392</b>	<b>\$15,668,245</b>	<b>88%</b>	<b>\$20,576,474</b>	<b>63%</b>	<b>(\$4,908,229)</b>	<b>\$46,224,251</b>	<b>\$20,932,912</b>	<b>\$18,042,710</b>	<b>\$7,336,751</b>
730	DATA PROCESSING	\$429,425	\$381,188	100%	\$369,958	57%	\$11,230	63,814	\$376,841	\$400,096	
740	BUILDING MAINTENANCE	\$155,445	\$837,141	100%	\$490,003	74%	\$347,138	27,056	\$475,527	\$535,016	
745	CIP ADMINISTRATION	\$83,108	\$1,165,818	89%	\$1,187,447	86%	(\$21,629)	123,577	(\$62,098)	\$113,559	
760	UNEMPLOYMENT INS.	\$77,693	\$970	100%	\$31,385	63%	(\$30,415)		\$47,278	\$47,278	
770	WORKER'S COMP.	\$42,756	\$452,213	113%	\$488,822	91%	(\$36,609)	\$39,000	(\$32,853)	\$605,290	\$40,000
790	EQUIPMENT REPLACEMENT	\$3,279,710	\$514,115	101%	\$84,545	45%	\$429,570	892,458	\$2,816,822	\$2,820,305	
793	CORPORATION YARD	\$412,656	\$1,081,570	464%	\$932,281	276%	\$149,289	242,393	\$319,552	\$315,968	
795	GEN'L LIABILITY INS.	\$833,756	\$363,513	94%	\$403,811	122%	(\$40,298)		\$793,458	\$1,115,875	
<b>TOTAL INTERNAL SERVICE FUNDS</b>		<b>\$5,314,549</b>	<b>\$4,796,528</b>	<b>118%</b>	<b>\$3,988,252</b>	<b>97%</b>	<b>\$808,276</b>		<b>\$4,734,527</b>	<b>\$5,953,387</b>	<b>\$40,000</b>
820	SPECIAL DEPOSITS									\$779,743	
841	M.H. BUS.RANCH A.D.	\$1,620,366	\$764,692	565%	\$735,202	101%	\$29,490		\$1,649,856	\$1,042,314	\$578,326
842	M.H. BUS. RANCH II A.D.	\$270,163	\$44,316	44%	\$207,239	97%	(\$162,923)		\$107,240	\$45,548	\$59,513
843	M.H. BUS. RANCH 1998	\$1,685,884	\$919,165	51%	\$1,112,924	101%	(\$193,759)		\$1,492,125	\$604,251	\$886,904
845	MADRONE BP-TAX EXEMPT	\$1,696,402	\$798,138		\$1,182,687	107%	(\$384,549)		\$1,311,853	\$511,119	\$800,049
846	MADRONE BP-TAXABLE	\$246,281	\$209,302	109%	\$198,716	72%	\$10,586		\$256,866	\$102,305	\$154,469
848	TENNANT AVE.BUS.PK A.D.	\$319,288	\$41,904	51%	\$274		\$41,630		\$360,918	\$358,501	
881	POLICE DONATION TRUST FUND	\$20,240	\$697	51%			\$697		\$20,937		\$20,830
<b>TOTAL AGENCY FUNDS</b>		<b>\$5,858,624</b>	<b>\$2,778,214</b>	<b>109%</b>	<b>\$3,437,042</b>	<b>100%</b>	<b>(\$658,828)</b>		<b>\$5,199,795</b>	<b>\$3,443,781</b>	<b>\$2,500,091</b>
<b>SUMMARY BY FUND TYPE</b>											
GENERAL FUND GROUP		\$11,232,426	\$15,715,236	97%	\$15,937,846	93%	(\$222,610)	\$86,358	\$10,923,458	\$11,193,437	\$4,150
SPECIAL REVENUE GROUP		\$7,473,801	\$5,632,141	107%	\$6,320,656	63%	(\$688,515)	\$1,668,772	\$5,116,514	\$6,318,071	\$10,794
DEBT SERVICE GROUP		\$739,792	\$280,283	127%	\$511,696	104%	(\$231,413)		\$508,379	\$306,621	\$198,200
CAPITAL PROJECTS GROUP		\$65,155,979	\$23,518,447	114%	\$22,071,093	44%	\$1,447,354	\$27,972,741	\$38,630,592	\$33,928,120	\$13,777,042
ENTERPRISE GROUP		\$72,065,392	\$15,668,245	88%	\$20,576,474	63%	(\$4,908,229)	\$46,224,251	\$20,932,912	\$18,042,710	\$7,336,751
INTERNAL SERVICE GROUP		\$5,314,549	\$4,796,528	118%	\$3,988,252	97%	\$808,276		\$4,734,527	\$5,953,387	\$40,000
AGENCY GROUP		\$5,858,624	\$2,778,214	109%	\$3,437,042	100%	(\$658,828)		\$5,199,795	\$3,443,781	\$2,500,091
<b>TOTAL ALL GROUPS</b>		<b>\$167,840,563</b>	<b>\$68,389,094</b>	<b>102%</b>	<b>\$72,843,059</b>	<b>62%</b>	<b>(\$4,453,965)</b>	<b>\$75,952,122</b>	<b>\$86,046,177</b>	<b>\$79,186,127</b>	<b>\$23,867,028</b>
<b>TOTAL CASH AND INVESTMENTS</b>										<b>\$103,053,155</b>	

For Enterprise Funds - Unrestricted fund balance = Fund balance net of fixed assets and long-term liabilities.

<sup>1</sup> Amount restricted for encumbrances, fixed asset replacement, long-term receivables, and bond reserves.

<sup>2</sup> Amount restricted for debt service payments and AB1600 capital expansion projects as detailed in the City's five year CIP Plan and bond agreements.



**CITY OF MORGAN HILL CASH AND INVESTMENT REPORT**  
**FOR THE MONTH OF JUNE 2003**  
**FOR THE FISCAL YEAR OF 2002-03**

	Invested in Fund	Yield	Book Value End of Month	Investment Category Subtotal at Cost	% of Total	Market Value
<b><u>Investments</u></b>						
State Treasurer LAIF - City	all Funds Pooled	1.70%	\$28,930,870		28.07%	\$29,013,215
	RDA	1.70%	\$29,732,413 *		28.85%	\$29,817,040
	Corp Yard	1.70%	\$51,372		0.05%	\$51,518
Federal Issues	all Funds Pooled	3.88%	\$31,494,148		30.56%	\$31,738,805
Money Market	all Funds Pooled	1.08%	\$4,211,826	\$94,420,629	4.09%	\$4,211,826
<b><u>Bond Reserve Accounts - held by trustees</u></b>						
BNY - 2002 SCRWA Bonds						
MBIA Repurchase & Custody Agmt	Sewer	4.78%	\$1,849,401			
Blackrock Provident Temp Fund		0.89%	\$13,302		1.81%	\$1,862,703
US Bank - 1999 Water C.O.P.						
First American Treasury Obligat	Water	1.29%	\$390,413		0.38%	\$390,413
US Bank - MH Ranch 98	MH Ranch					
First American Treasury Obligat	Agency Fund	1.29%	\$886,904		0.86%	\$886,904
US Bank - Madrone Bus Park Tax Exem	madrone Bus Park					
First American Treasury Obliga	Agency Fund	1.29%	\$800,049		0.78%	\$800,049
US Bank - Madrone Bus Park Taxable	madrone Bus Park					
First American Treasury Obliga	Agency Fund	1.29%	\$154,469	\$4,094,538	0.15%	\$154,469
<b><u>Checking Accounts</u></b>						
General Checking	All Funds		\$1,500,000		1.46%	\$1,500,000
Dreyfuss Treas Cash Management Acco	All Funds		\$2,993,837		2.91%	\$2,993,837
Athens Administators Workers' Comp	Workers' Comp		\$40,000		0.04%	\$40,000
Petty Cash & Emergency Cash	Various Funds		\$4,150	\$4,537,987	0.00%	\$4,150
<b>Total Cash and Investments</b>			<b><u>\$103,053,155</u></b>	<b><u>\$103,053,155</u></b>	<b><u>100.00%</u></b>	<b><u>\$103,464,930</u></b>

**CASH ACTIVITY SUMMARY**  
**FY 02/03**

Fund Type	07/01/02 Balance	Change in Cash Balance	06/30/03 Balance	Restricted	Unrestricted
General Fund	\$11,396,207	(\$198,620)	\$11,197,587	\$4,150	\$11,193,437
Community Development	\$2,011,445	(\$413,277)	\$1,598,168	\$0	\$1,598,168
RDA (except Housing)	\$22,128,854	(\$3,371,485)	\$18,757,369	\$0	\$18,757,369
Housing / CDBG	\$4,167,760	\$2,096,757	\$6,264,517	\$0	\$6,264,517
Water - Operations	\$3,198,853	(\$1,001,493)	\$2,197,360	\$390,413	\$1,806,947
Water Other	\$6,342,342	(\$1,460,009)	\$4,882,333	\$124,965	\$4,757,368
Sewer - Operations	\$7,057,299	(\$657,391)	\$6,399,908	\$1,862,703	\$4,537,205
Sewer Other	\$13,270,287	(\$1,370,427)	\$11,899,860	\$4,958,670	\$6,941,190
Other Special Revenue	\$3,379,537	(\$367,636)	\$3,011,901	\$0	\$3,011,901
Streets and Capital Projects (excep	\$23,005,915	\$1,396,157	\$24,402,072	\$13,787,836	\$10,614,236
Assessment Districts	\$736,561	(\$231,740)	\$504,821	\$198,200	\$306,621
Internal Service	\$5,284,536	\$708,851	\$5,993,387	\$40,000	\$5,953,387
Agency Funds	\$6,427,696	(\$483,824)	\$5,943,872	\$2,500,091	\$3,443,781
<b>Total</b>	<b><u>\$108,407,292</u></b>	<b><u>(\$5,354,137)</u></b>	<b><u>\$103,053,155</u></b>	<b><u>\$23,867,028</u></b>	<b><u>\$79,186,127</u></b>

Note: See Investment Portfolio Detail for maturities of "Investments." Market values are obtained from the City's investmen  
 \*The RDA Laif balance includes \$3,710,527 in pooled City investments.

I certify the information on the investment reports on pages 6-8 has been reconciled to the general ledger and bank statemen  
 sufficient funds to meet the expenditure requirements of the City for the next six months. The portfolio is in compliance w  
 investment policy and all State laws and regulations.

Prepared by: \_\_\_\_\_  
 Lourdes Reroma  
 Accountant I

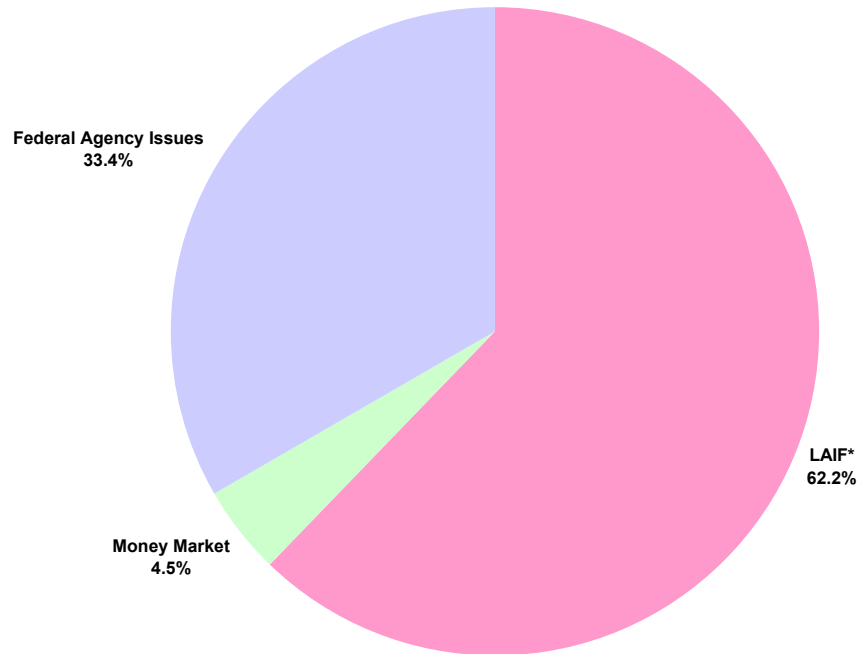
Approv \_\_\_\_\_  
 Jack Dilles  
 Director of Finance

Verified by: \_\_\_\_\_  
 Tina Reza  
 Assistant Director of Finance

\_\_\_\_\_  
 Mike Roorda  
 City Treasurer



## CITY OF MORGAN HILL INVESTMENT PORTFOLIO DETAIL as of 06/30/03



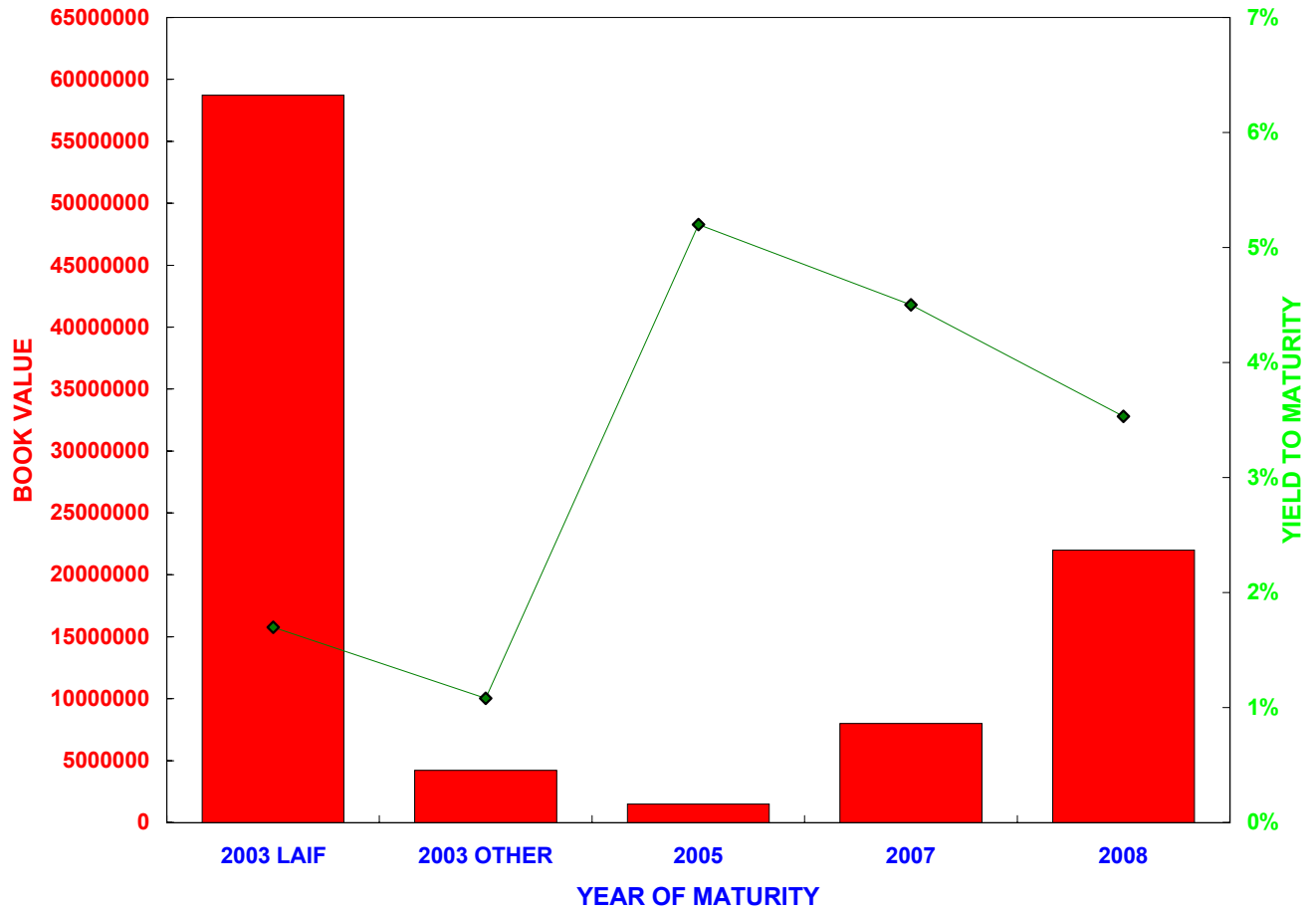
Investment Type	Purchase Date	Book Value	% of Portfolio	Market Value	Stated Rate	Interest Earned	Next Call Date	Date of Maturity	Years to Maturity
<b>LAIF*</b>									
		\$58,714,655	62.18%	\$58,881,773	1.697%	\$1,177,658			0.003
<b>Federal Agency Issues</b>									
Fed Natl Mortgage As	08/01/01	\$1,500,000	1.59%	\$1,505,625	5.200%	\$78,000	08/01/05	08/01/05	2.088
Fed Home Loan Bank	07/09/02	\$4,000,000	4.24%	\$4,002,520	4.875%	\$190,691	07/09/03	07/09/07	4.025
Fed Home Loan Bank	08/20/02	\$2,000,000	2.12%	\$2,006,880	4.250%	\$73,260	08/20/03	08/20/07	4.140
Fed Natl Mortgage As	09/27/02	\$2,000,000	2.12%	\$2,011,880	4.000%	\$60,870	09/27/03	09/27/07	4.244
Fed Home Loan Bank	02/04/03	\$2,000,000	2.12%	\$2,004,380	3.900%	\$31,674	08/04/03	02/04/08	4.600
Fed Home Loan Bank	03/11/03	\$2,000,000	2.12%	\$2,029,380	3.500%	\$21,304	03/11/04	03/11/08	4.699
Fed Home Loan Mgt Co	03/12/03	\$2,000,000	2.12%	\$2,029,920	3.500%	\$21,114	03/12/04	03/12/08	4.701
Fed Home Loan Bank	03/26/03	\$2,000,000	2.12%	\$2,028,760	3.375%	\$17,792	03/26/04	03/26/08	4.740
Fed Home Loan Mgt Co	04/08/03	\$2,000,000	2.12%	\$2,036,700	3.700%	\$16,984	04/08/04	04/08/08	4.775
Fed Home Loan Bank	04/14/03	\$2,000,000	2.12%	\$2,001,880	3.813%	\$16,252	07/14/03	04/14/08	4.792
Fed Home Loan Mgt Co	04/16/03	\$2,000,000	2.12%	\$2,035,840	3.600%	\$14,951	04/16/04	04/16/08	4.797
Fed Home Loan Mgt Co	04/17/03	\$1,994,148	2.11%	\$2,013,780	3.691%	\$15,373	10/17/03	04/17/08	4.800
Fed Farm Credit Bank	05/14/03	\$2,000,000	2.12%	\$2,005,620	3.617%	\$9,436	08/14/03	05/14/08	4.874
Fed Farm Credit Bank	06/03/03	\$2,000,000	2.12%	\$2,016,260	3.210%	\$4,911	12/03/03	06/03/08	4.929
Fed Farm Credit Bank	06/12/03	\$2,000,000	2.12%	\$2,009,380	2.950%	\$3,063	12/12/03	06/12/08	4.953
Redeemed FY 02/03						\$1,026,764			
<b>Sub Total/Average</b>		<b>\$31,494,148</b>	<b>33.36%</b>	<b>\$31,738,805</b>	<b>3.879%</b>	<b>\$1,602,439</b>			<b>4.485</b>
<b>Money Market</b>									
		\$4,211,826	4.46%	\$4,211,826	1.080%	\$32,830			0.003
<b>TOTAL/AVERAGE</b>		<b>\$94,420,628</b>	<b>100.00%</b>	<b>\$94,832,404</b>	<b>2.390%</b>	<b>\$2,812,927</b>			<b>1.567</b>

\*Per State Treasurer Report dated 06/30/2003, LAIF had invested approximately 18% of its balance in Treasury Bills and Notes, 11% in CDs, 29% in Commercial Paper and Corporate Bonds, 0% in Banker's Acceptances and 42% in others.



# CITY OF MORGAN HILL

## INVESTMENT MATURITIES AS OF JUNE 30, 2003



YEAR OF MATURITY	BOOK VALUE	MARKET VALUE	AVERAGE RATE	% OF TOTAL
2003 LAIF	\$58,714,654	\$58,881,773	1.697%	62.18%
2003 OTHER	\$4,211,826	\$4,211,826	1.080%	4.46%
2005	\$1,500,000	\$1,505,625	5.200%	1.59%
2007	\$8,000,000	\$8,021,280	4.500%	8.47%
2008	\$21,994,148	\$22,211,900	3.532%	23.29%
TOTAL	\$94,420,628	\$94,832,404	2.390%	100.00%



City of Morgan Hill  
Year to Date Revenues - Fiscal Year 2002/03  
For the Month of June 2003  
100% of Year Completed

FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% OF BUDGET
<b>010 GENERAL FUND</b>							
<b><u>TAXES</u></b>							
Property Taxes - Secured/Unsecured/Prior	1,883,000	1,883,000	2,135,446	113%	1,972,969	162,477	8%
Supplemental Roll	125,000	125,000	179,659	144%	194,538	(14,879)	-8%
Sales Tax	5,330,000	5,330,000	4,636,927	87%	4,870,295	(233,368)	-5%
Public Safety Sales Tax	288,400	288,400	264,603	92%	289,705	(25,102)	-9%
Transient Occupancy Taxes	892,000	892,000	882,194	99%	931,716	(49,522)	-5%
Franchise (Refuse ,Cable ,PG&E)	965,000	965,000	966,134	100%	954,641	11,493	1%
Property Transfer Tax	220,000	220,000	288,411	131%	267,399	21,012	8%
<b>TOTAL TAXES</b>	<b>9,703,400</b>	<b>9,703,400</b>	<b>9,353,374</b>	<b>96%</b>	<b>9,481,263</b>	<b>(127,889)</b>	<b>-1%</b>
<b><u>LICENSES/PERMITS</u></b>							
Business License	164,000	164,000	150,636	92%	156,861	(6,225)	-4%
Other Permits	45,450	45,450	45,573	100%	48,734	(3,161)	-6%
<b>TOTAL LICENSES/PERMITS</b>	<b>209,450</b>	<b>209,450</b>	<b>196,209</b>	<b>94%</b>	<b>205,595</b>	<b>(9,386)</b>	<b>-5%</b>
<b><u>FINES AND PENALTIES</u></b>							
Parking Enforcement	15,000	15,000	8,760	58%	12,667	(3,907)	-31%
City Code Enforcement	82,000	82,000	62,994	77%	96,169	(33,175)	-34%
Business tax late fee/other fines	-	2,500	1,756	n/a	126	1,630	1294%
<b>TOTAL FINES AND PENALTIES</b>	<b>97,000</b>	<b>99,500</b>	<b>73,510</b>	<b>74%</b>	<b>108,962</b>	<b>(35,452)</b>	<b>-33%</b>
<b><u>OTHER AGENCIES</u></b>							
Motor Vehicle in-Lieu	1,965,000	1,965,000	2,035,157	104%	1,904,697	130,460	7%
Other Revenue - Other Agencies	228,300	228,300	163,211	71%	254,706	(91,495)	-36%
<b>TOTAL OTHER AGENCIES</b>	<b>2,193,300</b>	<b>2,193,300</b>	<b>2,198,368</b>	<b>100%</b>	<b>2,159,403</b>	<b>38,965</b>	<b>2%</b>
<b><u>CHARGES CURRENT SERVICES</u></b>							
False Alarm Charge	24,000	24,000	31,296	130%	32,640	(1,344)	-4%
Business License Application Review	18,000	18,000	25,265	140%	23,109	2,156	9%
Recreation Classes	231,741	231,741	124,032	54%	40,718	83,314	205%
General Administration Overhead	1,855,937	1,855,937	1,855,934	100%	1,575,484	280,450	18%
Other Charges Current Services	184,898	182,398	177,552	97%	254,193	(76,641)	-30%
<b>TOTAL CURRENT SERVICES</b>	<b>2,314,576</b>	<b>2,312,076</b>	<b>2,214,079</b>	<b>96%</b>	<b>1,926,144</b>	<b>287,935</b>	<b>15%</b>
<b><u>OTHER REVENUE</u></b>							
Use of money/property	724,400	739,400	577,446	78%	628,086	(50,640)	-8%
Other revenues	78,950	78,950	176,918	224%	19,483	157,435	808%
<b>TOTAL OTHER REVENUE</b>	<b>803,350</b>	<b>818,350</b>	<b>754,364</b>	<b>92%</b>	<b>647,569</b>	<b>106,795</b>	<b>16%</b>
<b><u>TRANSFERS IN</u></b>							
Park Maintenance	100,000	100,000	100,000	100%	100,000	-	n/a
Sewer Enterprise	17,500	17,500	17,500	100%	15,000	2,500	17%
Water Enterprise	17,500	17,500	17,500	100%	15,000	2,500	17%
Public Safety	270,000	270,000	270,000	100%	505,037	(235,037)	-47%
Community Cultural Center	520,332	520,332	520,332	100%	-	520,332	n/a
Other Funds	-	-	-	n/a	233,235	(233,235)	-100%
<b>TOTAL TRANSFERS IN</b>	<b>925,332</b>	<b>925,332</b>	<b>925,332</b>	<b>100%</b>	<b>868,272</b>	<b>57,060</b>	<b>7%</b>
<b>TOTAL GENERAL FUND</b>	<b>16,246,408</b>	<b>16,261,408</b>	<b>15,715,236</b>	<b>97%</b>	<b>15,397,208</b>	<b>318,028</b>	<b>2%</b>



City of Morgan Hill  
Year to Date Revenues - Fiscal Year 2002/03  
For the Month of June 2003  
100% of Year Completed

FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% OF BUDGET
<b>SPECIAL REVENUE FUNDS</b>							
<b>202 STREET MAINTENANCE</b>							
Gas Tax 2105 - 2107.5	658,000	658,000	750,040	114%	666,436	83,604	13%
Measure A & B	-	-	-	n/a	-	-	n/a
Tea 21	-	-	-	n/a	-	-	n/a
Transfers In	977,000	977,000	977,000	100%	780,000	197,000	25%
Project Reimbursement	117,000	117,000	110,965	95%	372,793	(261,828)	-70%
Interest / Other Revenue/Other Charges	55,500	55,500	53,683	97%	246,733	(193,050)	-78%
<b>202 STREET MAINTENANCE</b>	<b>1,807,500</b>	<b>1,807,500</b>	<b>1,891,688</b>	<b>105%</b>	<b>2,065,962</b>	<b>(174,274)</b>	<b>-8%</b>
<b>204/205 PUBLIC SAFETY TRUST</b>							
Interest Income	30,400	30,400	21,141	70%	35,320	(14,179)	-40%
Police Grant/SLEF	100,000	100,000	100,000	100%	100,000	-	n/a
PD Block Grant	-	-	-	n/a	10,070	(10,070)	-100%
CA Law Enforcement Equip. Grant	-	-	20,765	n/a	40,663	(19,898)	-49%
Federal Police Grant (COPS)	30,000	30,000	17,874	60%	61,442	(43,568)	-71%
Transfers In	-	-	-	n/a	-	-	n/a
<b>204/205 PUBLIC SAFETY TRUST</b>	<b>160,400</b>	<b>160,400</b>	<b>159,780</b>	<b>100%</b>	<b>247,495</b>	<b>(87,715)</b>	<b>-35%</b>
<b>206 COMMUNITY DEVELOPMENT</b>							
Building Fees	1,134,000	1,134,000	1,452,407	128%	977,906	474,501	49%
Planning Fees	438,147	438,147	482,046	110%	270,727	211,319	78%
Engineering Fees	480,000	480,000	607,206	127%	594,288	12,918	2%
Other Revenue/Current Charges	66,276	66,276	62,526	94%	152,362	(89,836)	-59%
Transfers	-	-	-	n/a	150,703	(150,703)	-100%
<b>206 COMMUNITY DEVELOPMENT</b>	<b>2,118,423</b>	<b>2,118,423</b>	<b>2,604,185</b>	<b>123%</b>	<b>2,145,986</b>	<b>458,199</b>	<b>21%</b>
<b>207 GENERAL PLAN UPDATE</b>	<b>113,582</b>	<b>113,582</b>	<b>124,336</b>	<b>109%</b>	<b>35,865</b>	<b>88,471</b>	<b>247%</b>
<b>215 and 216 HCD BLOCK GRANT</b>							
HCD allocation	181,306	181,306	29,956	17%	109,883	(79,927)	-73%
Interest Income/Other Revenue	50,000	50,000	15,581	31%	4,615	10,966	238%
Transfers	-	-	-	n/a	-	-	n/a
<b>215 and 216 HCD BLOCK GRANT</b>	<b>231,306</b>	<b>231,306</b>	<b>45,537</b>	<b>20%</b>	<b>114,498</b>	<b>(68,961)</b>	<b>-60%</b>
<b>210 COMMUNITY CENTER</b>	<b>119,041</b>	<b>119,041</b>	<b>125,861</b>	<b>106%</b>	<b>229,182</b>	<b>(103,321)</b>	<b>-45%</b>
<b>220 MUSEUM RENTAL</b>	<b>212</b>	<b>212</b>	<b>85</b>	<b>40%</b>	<b>177</b>	<b>(92)</b>	<b>-52%</b>
<b>225 ASSET SEIZURE</b>	<b>2,057</b>	<b>2,057</b>	<b>1,529</b>	<b>74%</b>	<b>26,434</b>	<b>(24,905)</b>	<b>-94%</b>
<b>226 OES/FEMA</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>n/a</b>	<b>8,749</b>	<b>(8,749)</b>	<b>-100%</b>
<b>229 LIGHTING AND LANDSCAPE</b>	<b>107,429</b>	<b>107,429</b>	<b>133,285</b>	<b>124%</b>	<b>111,687</b>	<b>21,598</b>	<b>19%</b>
<b>232 ENVIRONMENTAL PROGRAMS</b>	<b>380,755</b>	<b>380,755</b>	<b>417,555</b>	<b>110%</b>	<b>409,640</b>	<b>7,915</b>	<b>2%</b>
<b>234 MOBILE HOME PARK RENT STAB.</b>	<b>2,507</b>	<b>2,507</b>	<b>18,033</b>	<b>719%</b>	<b>62,642</b>	<b>(44,609)</b>	<b>-71%</b>
<b>235 SENIOR HOUSING</b>	<b>85,541</b>	<b>85,541</b>	<b>19,487</b>	<b>23%</b>	<b>29,751</b>	<b>(10,264)</b>	<b>-34%</b>
<b>236 HOUSING MITIGATION</b>	<b>37,500</b>	<b>37,500</b>	<b>35,297</b>	<b>94%</b>	<b>1,028,510</b>	<b>(993,213)</b>	<b>-97%</b>
<b>240 EMPLOYEE ASSISTANCE</b>	<b>80,786</b>	<b>80,786</b>	<b>55,483</b>	<b>69%</b>	<b>-</b>	<b>55,483</b>	<b>n/a</b>
<b>TOTAL SPECIAL REVENUE FUNDS</b>	<b>5,247,039</b>	<b>5,247,039</b>	<b>5,632,141</b>	<b>107%</b>	<b>6,516,578</b>	<b>(884,437)</b>	<b>-14%</b>





City of Morgan Hill  
Year to Date Revenues - Fiscal Year 2002/03  
For the Month of June 2003  
100% of Year Completed

FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% OF BUDGET
<b>CAPITAL PROJECTS FUNDS</b>							
301 PARK DEVELOPMENT	1,129,006	1,129,006	488,417	43%	399,748	88,669	22%
302 PARK MAINTENANCE	155,300	155,300	345,303	222%	420,208	(74,905)	-18%
303 LOCAL DRAINAGE	315,223	315,223	388,873	123%	337,573	51,300	15%
304 LOCAL DRAINAGE/NON AB1600	139,949	139,949	299,746	214%	247,703	52,043	21%
305 OFF-STREET PARKING	152	152	134	88%	144	(10)	-7%
306 OPEN SPACE			90,157	n/a	194,803	(104,646)	-54%
309 TRAFFIC MITIGATION	1,080,268	1,080,268	875,474	81%	1,376,426	(500,952)	-36%
311 POLICE MITIGATION	64,919	64,919	95,368	147%	66,676	28,692	43%
313 FIRE MITIGATION	166,935	166,935	240,307	144%	180,367	59,940	33%
<b>317 RDA CAPITAL PROJECTS</b>							
Property Taxes & Supplemental Roll	12,084,000	12,084,000	14,831,285	123%	13,024,556	1,806,729	14%
Development Agreements	-	-	-	n/a	-	-	n/a
Interest Income, Rents	595,853	595,853	375,248	63%	833,029	(457,781)	-55%
Other Agencies/Current Charges	152,500	152,500	117,750	77%	745,974	(628,224)	-84%
<b>317 RDA CAPITAL PROJECTS</b>	<b>12,832,353</b>	<b>12,832,353</b>	<b>15,324,283</b>	<b>119%</b>	<b>14,603,559</b>	<b>720,724</b>	<b>5%</b>
<b>327/328 RDA L/M HOUSING</b>							
Property Taxes & Supplemental Roll	3,438,000	3,438,000	4,236,356	123%	3,514,741	721,615	21%
Interest Income, Rent	100,000	100,000	389,922	390%	232,677	157,245	68%
Other	590	590	91,274	15470%	883	90,391	10237%
<b>327/328 RDA L/M HOUSING</b>	<b>3,538,590</b>	<b>3,538,590</b>	<b>4,717,552</b>	<b>133%</b>	<b>3,748,301</b>	<b>969,251</b>	<b>26%</b>
346 PUBLIC FACILITIES NON-AB1600	254,300	254,300	298,847	118%	272,861	25,986	10%
347 PUBLIC FACILITIES	148,617	148,617	94,496	64%	98,052	(3,556)	-4%
348 LIBRARY	36,299	36,299	47,208	130%	36,932	10,276	28%
350 UNDERGROUNDING	692,745	692,745	208,862	30%	326,607	(117,745)	-36%
340 MORGAN HILL BUS.RANCH CIP I	1,825	1,825	1,611	88%	1,779	(168)	-9%
342 MORGAN HILL BUS.RANCH CIP II	2,052	2,052	1,809	88%	1,943	(134)	-7%
<b>TOTAL CAPITAL PROJECTS FUNDS</b>	<b>20,558,533</b>	<b>20,558,533</b>	<b>23,518,447</b>	<b>114%</b>	<b>22,313,682</b>	<b>1,204,765</b>	<b>5%</b>

**DEBT SERVICE FUNDS**

527 HIDDEN CREEK	-	-	-	n/a	-	-	n/a
533 DUNNE AVE. / CONDIR ROAD	-	-	-	n/a	-	-	n/a
536 ENCINO HILLS	4,209	4,209	2,256	54%	2,297	(41)	-2%
539 MORGAN HILL BUSINESS PARK	7,707	7,707	381	5%		381	n/a
542 SUTTER BUSINESS PARK	6,215	6,215	831	13%	243	588	242%
545 COCHRANE BUSINESS PARK	158,673	158,673	243,155	153%	286,938	(43,783)	-15%
551 JOLEEN WAY	43,068	43,068	33,660	78%	36,177	(2,517)	-7%
<b>TOTAL DEBT SERVICE FUNDS</b>	<b>219,872</b>	<b>219,872</b>	<b>280,283</b>	<b>127%</b>	<b>325,655</b>	<b>(45,372)</b>	<b>-14%</b>



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FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% OF BUDGET
<b>ENTERPRISE FUNDS</b>							
<b>640 SEWER OPERATION</b>							
Sewer Service Fees	5,389,650	5,389,650	5,007,460	93%	5,427,323	(419,863)	-8%
Interest Income	295,119	295,119	152,866	52%	326,507	(173,641)	-53%
Sewer Rate Stabilization	-	-	-	n/a	-	-	n/a
Other Revenue/Current Charges	113,900	113,900	131,643	116%	124,960	6,683	5%
<b>640 SEWER OPERATION</b>	<b>5,798,669</b>	<b>5,798,669</b>	<b>5,291,969</b>	<b>91%</b>	<b>5,878,790</b>	<b>(586,821)</b>	<b>-10%</b>
<b>641 SEWER EXPANSION</b>							
Interest Income	176,887	176,887	182,445	103%	224,178	(41,733)	-19%
Connection Fees	1,125,000	1,125,000	860,023	76%	1,532,237	(672,214)	-44%
Other	-	-	792	n/a	792	-	n/a
<b>641 SEWER EXPANSION</b>	<b>1,301,887</b>	<b>1,301,887</b>	<b>1,043,260</b>	<b>80%</b>	<b>1,757,207</b>	<b>(713,947)</b>	<b>-41%</b>
<b>642 SEWER RATE STABILIZATION</b>	<b>123,378</b>	<b>123,378</b>	<b>336,933</b>	<b>273%</b>	<b>434,595</b>	<b>(97,662)</b>	<b>-22%</b>
<b>643 SEWER-CAPITAL PROJECT</b>	<b>608,429</b>	<b>608,429</b>	<b>612,846</b>	<b>101%</b>	<b>635,327</b>	<b>(22,481)</b>	<b>-4%</b>
<b>TOTAL SEWER FUNDS</b>	<b>7,832,363</b>	<b>7,832,363</b>	<b>7,285,008</b>	<b>93%</b>	<b>8,705,919</b>	<b>(1,420,911)</b>	<b>-16%</b>
<b>650 WATER OPERATION</b>							
Water Sales	5,855,915	5,855,915	5,679,069	97%	5,615,035	64,034	1%
Meter Install & Service	48,000	48,000	53,116	111%	37,464	15,652	42%
Transfers-In, and Interest Income	384,673	384,673	318,796	83%	391,662	(72,866)	-19%
Other Revenue/Current Charges	171,770	171,770	336,107	196%	305,626	30,481	10%
<b>650 WATER OPERATION</b>	<b>6,460,358</b>	<b>6,460,358</b>	<b>6,387,088</b>	<b>99%</b>	<b>6,349,787</b>	<b>37,301</b>	<b>1%</b>
<b>651 WATER EXPANSION</b>							
Interest Income/Other Revenue/Transfer	480,602	1,980,602	478,529	24%	39,083	439,446	1124%
Water Connection Fees	387,000	387,000	159,542	41%	204,295	(44,753)	-22%
<b>651 WATER EXPANSION</b>	<b>867,602</b>	<b>2,367,602</b>	<b>638,071</b>	<b>27%</b>	<b>243,378</b>	<b>394,693</b>	<b>162%</b>
<b>652 Water Rate Stabilization</b>	<b>32,844</b>	<b>32,844</b>	<b>28,949</b>	<b>88%</b>	<b>30,943</b>	<b>(1,994)</b>	<b>-6%</b>
<b>653 Water Capital Project</b>	<b>1,207,662</b>	<b>1,207,662</b>	<b>1,329,129</b>	<b>110%</b>	<b>2,447,917</b>	<b>(1,118,788)</b>	<b>-46%</b>
<b>TOTAL WATER FUNDS</b>	<b>8,568,466</b>	<b>10,068,466</b>	<b>8,383,237</b>	<b>83%</b>	<b>9,072,025</b>	<b>(688,788)</b>	<b>-8%</b>
<b>TOTAL ENTERPRISE FUNDS</b>	<b>16,400,829</b>	<b>17,900,829</b>	<b>15,668,245</b>	<b>88%</b>	<b>17,777,944</b>	<b>(2,109,699)</b>	<b>-12%</b>
<b>INTERNAL SERVICE FUNDS</b>							
<b>730 INFORMATION SERVICES</b>	<b>381,190</b>	<b>381,190</b>	<b>381,188</b>	<b>100%</b>	<b>505,168</b>	<b>(123,980)</b>	<b>-25%</b>
<b>740 BUILDING MAINTENANCE SERVICES</b>	<b>837,139</b>	<b>837,139</b>	<b>837,141</b>	<b>100%</b>	<b>596,209</b>	<b>240,932</b>	<b>40%</b>
<b>745 CIP ADMINISTRATION</b>	<b>1,308,226</b>	<b>1,308,226</b>	<b>1,165,818</b>	<b>89%</b>	<b>1,027,459</b>	<b>138,359</b>	<b>13%</b>
<b>760 UNEMPLOYMENT INSURANCE</b>	<b>970</b>	<b>970</b>	<b>970</b>	<b>100%</b>	<b>934</b>	<b>36</b>	<b>4%</b>
<b>770 WORKERS COMPENSATION</b>	<b>399,907</b>	<b>399,907</b>	<b>452,213</b>	<b>113%</b>	<b>425,536</b>	<b>26,677</b>	<b>6%</b>
<b>790 EQUIPMENT REPLACEMENT</b>	<b>511,371</b>	<b>511,371</b>	<b>514,115</b>	<b>101%</b>	<b>523,640</b>	<b>(9,525)</b>	<b>-2%</b>
<b>793 CORPORATION YARD COMMISSION</b>	<b>233,033</b>	<b>233,033</b>	<b>1,081,570</b>	<b>464%</b>	<b>507,118</b>	<b>574,452</b>	<b>113%</b>
<b>795 GENERAL LIABILITY INSURANCE</b>	<b>387,806</b>	<b>387,806</b>	<b>363,513</b>	<b>94%</b>	<b>372,063</b>	<b>(8,550)</b>	<b>-2%</b>
<b>TOTAL INTERNAL SERVICE FUNDS</b>	<b>4,059,642</b>	<b>4,059,642</b>	<b>4,796,528</b>	<b>118%</b>	<b>3,958,127</b>	<b>838,401</b>	<b>21%</b>



City of Morgan Hill  
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FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% OF BUDGET
<b>AGENCY FUNDS</b>							
841 M.H. BUS.RANCH A.D. I	135,458	135,458	764,692	565%	794,953	(30,261)	-4%
842 M.H. BUS.RANCH A.D. II	99,679	99,679	44,316	44%	99,899	(55,583)	-56%
843 M.H. BUS.RANCH 1998	939,155	939,155	919,165	98%	925,478	(6,313)	-1%
845 MADRONE BP-TAX EXEMPT	846,721	846,721	798,138	94%	923,226	(125,088)	-14%
846 MADRONE BP-TAXABLE	184,234	184,234	209,302	114%	151,334	57,968	38%
848 TENNANT AVE.BUS.PK A.D.	332,553	332,553	41,904	13%	413,470	(371,566)	-90%
881 POLICE DONATION TRUST FUND	1,371	1,371	697	51%	829	(132)	-16%
<b>TOTAL AGENCY FUNDS</b>	<b>2,539,171</b>	<b>2,539,171</b>	<b>2,778,214</b>	<b>109%</b>	<b>3,309,189</b>	<b>(530,975)</b>	<b>-16%</b>
<b>TOTAL FOR ALL FUNDS</b>	<b>65,271,494</b>	<b>66,786,494</b>	<b>68,389,094</b>	<b>102%</b>	<b>69,598,383</b>	<b>(727,406)</b>	<b>-1%</b>



City of Morgan Hill  
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FUND NO.	FUND/ACTIVITY	THIS MONTH ACTUAL EXPENSES	ADOPTED BUDGET	AMENDED BUDGET	YTD EXPENSES	OUTSTANDING ENCUMBRANCE	TOTAL ALLOCATED	PERCENT OF TOTAL TO BUDGET
<b>010 GENERAL FUND</b>								
<b>I. GENERAL GOVERNMENT</b>								
<b>COUNCIL AND MISCELLANEOUS GOVT.</b>								
	City Council	12,553	236,417	242,371	180,951	-	180,951	75%
	Community Promotions	<u>12,303</u>	<u>40,604</u>	<u>47,303</u>	<u>43,481</u>	<u>6,698</u>	<u>50,179</u>	<u>106%</u>
<b>COUNCIL AND MISCELLANEOUS GO</b>		<b>24,856</b>	<b>277,021</b>	<b>289,674</b>	<b>224,432</b>	<b>6,698</b>	<b>231,130</b>	<b>80%</b>
<b>CITY ATTORNEY</b>		<b>123,713</b>	<b>668,556</b>	<b>901,176</b>	<b>855,537</b>	<b>-</b>	<b>855,537</b>	<b>95%</b>
<b>CITY MANAGER</b>								
	City Manager	5,024	393,276	446,628	362,463		362,463	81%
	Cable Television	(419)	46,755	61,366	58,446	1,750	60,196	98%
	Communications & Marketing	<u>10,748</u>	<u>116,982</u>	<u>116,982</u>	<u>101,416</u>	<u>-</u>	<u>101,416</u>	<u>87%</u>
<b>CITY MANAGER</b>		<b>15,353</b>	<b>557,013</b>	<b>624,976</b>	<b>522,325</b>	<b>1,750</b>	<b>524,075</b>	<b>84%</b>
<b>RECREATION</b>								
	Recreation	114,673	479,220	486,520	529,824	7,965	537,789	111%
	Community & Cultural Center	73,241	684,196	710,546	548,028	26,800	574,828	81%
	Building Maintenance (CCC)	<u>41,598</u>	<u>205,115</u>	<u>220,115</u>	<u>209,565</u>	<u>11,859</u>	<u>221,424</u>	<u>101%</u>
<b>RECREATION</b>		<b>229,512</b>	<b>1,368,531</b>	<b>1,417,181</b>	<b>1,287,417</b>	<b>46,624</b>	<b>1,334,041</b>	<b>94%</b>
<b>HUMAN RESOURCES</b>								
	Human Resources	48,993	606,543	607,257	552,090	-	552,090	91%
	Volunteer Programs	<u>1,675</u>	<u>38,193</u>	<u>38,193</u>	<u>26,475</u>	<u>-</u>	<u>26,475</u>	<u>69%</u>
<b>HUMAN RESOURCES</b>		<b>50,668</b>	<b>644,736</b>	<b>645,450</b>	<b>578,565</b>	<b>-</b>	<b>578,565</b>	<b>90%</b>
<b>CITY CLERK</b>								
	City Clerk	16,891	373,823	404,150	243,586	861	244,447	60%
	Elections	<u>3,566</u>	<u>65,811</u>	<u>65,811</u>	<u>49,378</u>	<u>-</u>	<u>49,378</u>	<u>75%</u>
<b>CITY CLERK</b>		<b>20,457</b>	<b>439,634</b>	<b>469,961</b>	<b>292,964</b>	<b>861</b>	<b>293,825</b>	<b>63%</b>
<b>FINANCE</b>		<b>191,200</b>	<b>1,075,090</b>	<b>1,094,207</b>	<b>1,012,713</b>	<b>2,015</b>	<b>1,014,728</b>	<b>93%</b>
<b>MEDICAL SERVICES</b>		<b>65,000</b>	<b>120,000</b>	<b>120,000</b>	<b>115,000</b>	<b>5,000</b>	<b>120,000</b>	<b>100%</b>
<b>TOTAL GENERAL GOVERNMENT</b>		<b>720,759</b>	<b>5,150,581</b>	<b>5,562,625</b>	<b>4,888,953</b>	<b>62,948</b>	<b>4,951,901</b>	<b>89%</b>
<b>II. PUBLIC SAFETY</b>								
<b>POLICE</b>								
	PD Administration	11,978	596,573	596,573	416,133		416,133	70%
	Patrol	198,724	3,131,616	3,138,478	3,037,276	6,218	3,043,494	97%
	Support Services	69,381	867,088	868,069	888,748	-	888,748	102%
	Emergency Services/Haz Mat	2,615	89,549	89,549	50,904	-	50,904	57%
	Special Operations	58,817	792,804	792,804	837,113	3,575	840,688	106%
	Animal Control	38,921	71,919	71,919	103,688		103,688	144%
	Dispatch Services	<u>75,393</u>	<u>821,421</u>	<u>885,913</u>	<u>725,935</u>	<u>1,100</u>	<u>727,035</u>	<u>82%</u>
<b>POLICE</b>		<b>455,829</b>	<b>6,370,970</b>	<b>6,443,305</b>	<b>6,059,797</b>	<b>10,893</b>	<b>6,070,690</b>	<b>94%</b>
<b>FIRE</b>		<b>301,995</b>	<b>3,623,938</b>	<b>3,623,938</b>	<b>3,623,938</b>	<b>-</b>	<b>3,623,938</b>	<b>100%</b>
<b>TOTAL PUBLIC SAFETY</b>		<b>757,824</b>	<b>9,994,908</b>	<b>10,067,243</b>	<b>9,683,735</b>	<b>10,893</b>	<b>9,694,628</b>	<b>96%</b>
<b>III. COMMUNITY IMPROVEMENT</b>								
<b>PARK MAINTENANCE</b>		<b>90,910</b>	<b>826,483</b>	<b>879,230</b>	<b>828,158</b>	<b>12,517</b>	<b>840,675</b>	<b>96%</b>
<b>TOTAL COMMUNITY IMPROVEMENT</b>		<b>90,910</b>	<b>826,483</b>	<b>879,230</b>	<b>828,158</b>	<b>12,517</b>	<b>840,675</b>	<b>96%</b>



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FUND NO.	FUND/ACTIVITY	THIS MONTH ACTUAL EXPENSES	ADOPTED BUDGET	AMENDED BUDGET	YTD EXPENSES	OUTSTANDING ENCUMBRANCE	TOTAL ALLOCATED	PERCENT OF TOTAL TO BUDGET
<b>IV. TRANSFERS</b>								
	Street Maintenance	94,250	377,000	377,000	377,000	-	377,000	100%
	Community Center		100,000	100,000	100,000	-	100,000	100%
	General Plan Update	5,000	60,000	60,000	60,000	-	60,000	100%
<b>TOTAL TRANSFERS</b>		<b>99,250</b>	<b>537,000</b>	<b>537,000</b>	<b>537,000</b>	<b>-</b>	<b>537,000</b>	<b>100%</b>
<b>TOTAL GENERAL FUND</b>		<b>1,668,743</b>	<b>16,508,972</b>	<b>17,046,098</b>	<b>15,937,846</b>	<b>86,358</b>	<b>16,024,204</b>	<b>94%</b>
<b>SPECIAL REVENUE FUNDS</b>								
<b>202 STREET MAINTENANCE</b>								
	Street Maintenance/Traffic	210,703	1,705,475	1,835,629	1,498,904	139,135	1,638,039	89%
	Congestion Management	3,673	79,820	79,820	65,587	-	65,587	82%
	Street CIP	<u>19,387</u>	<u>120,097</u>	<u>1,398,774</u>	<u>289,371</u>	<u>674,612</u>	<u>963,983</u>	<u>69%</u>
<b>202 STREET MAINTENANCE</b>		<b>233,763</b>	<b>1,905,392</b>	<b>3,314,223</b>	<b>1,853,862</b>	<b>813,747</b>	<b>2,667,609</b>	<b>80%</b>
<b>204/205</b>	<b>PUBLIC SAFETY/SUPP.LAW</b>	<b>22,545</b>	<b>315,538</b>	<b>315,538</b>	<b>315,538</b>		<b>315,538</b>	<b>100%</b>
<b>206 COMMUNITY DEVELOPMENT FUND</b>								
	Planning	88,578	1,146,916	1,422,356	1,150,891	150,359	1,301,250	91%
	Building	53,982	1,040,589	1,129,357	850,189	60,417	910,606	81%
	PW-Engineering	<u>47,614</u>	<u>1,120,346</u>	<u>1,160,252</u>	<u>948,522</u>	<u>43,086</u>	<u>991,608</u>	<u>85%</u>
<b>206 COMMUNITY DEVELOPMENT FUND</b>		<b>190,174</b>	<b>3,307,851</b>	<b>3,711,965</b>	<b>2,949,602</b>	<b>253,862</b>	<b>3,203,464</b>	<b>86%</b>
<b>207</b>	<b>GENERAL PLAN UPDATE</b>	<b>29,243</b>	<b>162,996</b>	<b>203,959</b>	<b>44,291</b>	<b>126,156</b>	<b>170,447</b>	<b>84%</b>
<b>210</b>	<b>COMMUNITY CENTER</b>	<b>43,361</b>	<b>520,332</b>	<b>520,332</b>	<b>520,332</b>	<b>-</b>	<b>520,332</b>	<b>100%</b>
<b>215/216</b>	<b>CDBG</b>	<b>20,171</b>	<b>231,306</b>	<b>232,806</b>	<b>50,820</b>	<b>54,307</b>	<b>105,127</b>	<b>45%</b>
<b>220</b>	<b>MUSEUM RENTAL</b>	<b>352</b>	<b>3,069</b>	<b>3,069</b>	<b>2,947</b>	<b>-</b>	<b>2,947</b>	<b>96%</b>
<b>225</b>	<b>ASSET SEIZURE</b>		<b>34,060</b>	<b>34,060</b>	<b>20,000</b>	<b>-</b>	<b>20,000</b>	<b>59%</b>
<b>226</b>	<b>OES/FEMA</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>n/a</b>
<b>229</b>	<b>LIGHTING AND LANDSCAPE</b>	<b>41,368</b>	<b>138,672</b>	<b>139,639</b>	<b>163,704</b>	<b>12,246</b>	<b>175,950</b>	<b>126%</b>
<b>232</b>	<b>ENVIRONMENT PROGRAMS</b>	<b>30,137</b>	<b>318,170</b>	<b>384,242</b>	<b>268,959</b>	<b>47,865</b>	<b>316,824</b>	<b>82%</b>
<b>234</b>	<b>MOBILE HOME PARK</b>	<b>16,232</b>	<b>70,335</b>	<b>70,335</b>	<b>61,539</b>	<b>-</b>	<b>61,539</b>	<b>87%</b>
<b>236</b>	<b>HOUSING MITIGATION FUND</b>	<b>4,265</b>	<b>1,032,119</b>	<b>1,032,119</b>	<b>20,500</b>	<b>-</b>	<b>20,500</b>	<b>2%</b>
<b>240</b>	<b>EMPLOYEE ASSISTANCE</b>	<b>2,000</b>	<b>40,000</b>	<b>40,000</b>	<b>48,562</b>	<b>-</b>	<b>48,562</b>	<b>121%</b>
<b>TOTAL SPECIAL REVENUE FUNDS</b>		<b>633,611</b>	<b>8,079,840</b>	<b>10,002,287</b>	<b>6,320,656</b>	<b>1,308,183</b>	<b>7,628,839</b>	<b>76%</b>
<b>CAPITAL PROJECT FUNDS</b>								
<b>301</b>	<b>PARK DEVELOPMENT</b>	<b>21,372</b>	<b>2,856,587</b>	<b>3,215,379</b>	<b>167,936</b>	<b>111,684</b>	<b>279,620</b>	<b>9%</b>
<b>302</b>	<b>PARK MAINTENANCE</b>	<b>25,000</b>	<b>165,000</b>	<b>170,422</b>	<b>128,809</b>	<b>-</b>	<b>128,809</b>	<b>76%</b>
<b>303</b>	<b>LOCAL DRAINAGE</b>	<b>1,679</b>	<b>1,866,589</b>	<b>2,094,305</b>	<b>12,100</b>	<b>3,500</b>	<b>15,600</b>	<b>1%</b>
<b>304</b>	<b>LOCAL DRAIN. NON-AB1600</b>	<b>7,647</b>	<b>161,727</b>	<b>396,685</b>	<b>90,952</b>	<b>-</b>	<b>90,952</b>	<b>23%</b>
<b>309</b>	<b>TRAFFIC MITIGATION</b>	<b>45,232</b>	<b>183,541</b>	<b>1,526,406</b>	<b>921,074</b>	<b>349,999</b>	<b>1,271,073</b>	<b>83%</b>
<b>311</b>	<b>POLICE MITIGATION</b>	<b>512</b>	<b>1,058,142</b>	<b>1,058,142</b>	<b>81,084</b>	<b>20,000</b>	<b>101,084</b>	<b>10%</b>
<b>313</b>	<b>FIRE MITIGATION</b>	<b>119</b>	<b>1,428</b>	<b>151,428</b>	<b>152,084</b>	<b>-</b>	<b>152,084</b>	<b>100%</b>
<b>317</b>	<b>RDA BUSINESS ASSISTANCE</b>	<b>1,242,226</b>	<b>19,353,409</b>	<b>32,464,906</b>	<b>17,417,839</b>	<b>7,449,222</b>	<b>24,867,061</b>	<b>77%</b>
<b>327/328</b>	<b>RDA HOUSING</b>	<b>218,546</b>	<b>6,313,976</b>	<b>7,238,924</b>	<b>2,523,715</b>	<b>214,699</b>	<b>2,738,414</b>	<b>38%</b>
<b>346</b>	<b>PUBLIC FAC.NON AB1600</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>n/a</b>
<b>347</b>	<b>PUBLIC FACILITIES</b>	<b>97,979</b>	<b>56,412</b>	<b>1,155,026</b>	<b>487,210</b>	<b>949,534</b>	<b>1,436,744</b>	<b>124%</b>
<b>348</b>	<b>LIBRARY IMPACT</b>	<b>17</b>	<b>208</b>	<b>208</b>	<b>864</b>	<b>-</b>	<b>864</b>	<b>415%</b>
<b>350</b>	<b>UNDERGROUNDING</b>	<b>1,651</b>	<b>730,404</b>	<b>730,404</b>	<b>87,426</b>	<b>-</b>	<b>87,426</b>	<b>12%</b>
<b>TOTAL CAPITAL PROJECTS FUNDS</b>		<b>1,661,980</b>	<b>32,747,423</b>	<b>50,202,235</b>	<b>22,071,093</b>	<b>9,098,638</b>	<b>31,169,731</b>	<b>62%</b>



City of Morgan Hill  
Year to Date Expenses - Fiscal Year 2002/03  
For the Month of June 2003  
100% of Year Completed

FUND NO.	FUND/ACTIVITY	THIS MONTH ACTUAL EXPENSES	ADOPTED BUDGET	AMENDED BUDGET	YTD EXPENSES	OUTSTANDING ENCUMBRANCE	TOTAL ALLOCATED	PERCENT OF TOTAL TO BUDGET
<b>DEBT SERVICE FUNDS</b>								
527	HIDDEN CREEK A.D.	-	-	-	-	-	-	n/a
536	ENCINO HILLS A.D.	(500)	-	-	-	-	-	n/a
539	MORGAN HILL BUS. PARK A.D.	(563)	-	-	-	-	-	n/a
542	SUTTER BUS. PARK A.D.	-	-	-	-	-	-	n/a
545	COCHRANE BUS. PARK A.D.	(1,582)	139,309	448,309	475,563	-	475,563	106%
551	JOLEEN WAY A.D.	(5,851)	42,569	42,569	36,133	-	36,133	85%
<b>TOTAL DEBT SERVICE FUNDS</b>		<b>(8,496)</b>	<b>181,878</b>	<b>490,878</b>	<b>511,696</b>	<b>-</b>	<b>511,696</b>	<b>104%</b>
<b>ENTERPRISE FUNDS</b>								
<b>SEWER</b>								
640	SEWER OPERATION	644,972	6,875,234	6,929,378	6,063,088	96,045	6,159,133	89%
641	CAPITAL EXPANSION	269,550	4,006,874	4,936,874	2,182,185	121,448	2,303,633	47%
642	SEWER RATE STABILIZATION	183	2,190	2,190	2,190	-	2,190	100%
643	SEWER-CAPITAL PROJECTS	<u>293,965</u>	<u>1,822,627</u>	<u>3,156,637</u>	<u>1,347,389</u>	<u>191,585</u>	<u>1,538,974</u>	<u>49%</u>
<b>TOTAL SEWER FUND(S)</b>		<b>1,208,670</b>	<b>12,706,925</b>	<b>15,025,079</b>	<b>9,594,852</b>	<b>409,078</b>	<b>10,003,930</b>	<b>67%</b>
<b>WATER</b>								
	Water Operations Division	1,373,034	6,948,657	8,686,693	6,771,903	526,122	7,298,025	84%
	Meter Reading/Repair	134,991	616,878	688,718	635,787	123,718	759,505	110%
	Utility Billing	32,890	347,753	458,755	399,701	3,293	402,994	88%
	Water Conservation	<u>99</u>	<u>11,320</u>	<u>11,320</u>	<u>3,039</u>	<u>-</u>	<u>3,039</u>	<u>27%</u>
650	WATER OPERATIONS	1,541,014	7,924,608	9,845,486	7,810,430	653,133	8,463,563	86%
651	CAPITAL EXPANSION	366,871	900,234	3,123,047	1,539,996	986,046	2,526,042	81%
652	WATER RATE STABILIZATION	42	509	509	509	-	509	100%
653	WATER-CAPITAL PROJECTS	<u>83,402</u>	<u>810,955</u>	<u>4,622,731</u>	<u>1,630,687</u>	<u>231,831</u>	<u>1,862,518</u>	<u>40%</u>
<b>TOTAL WATER FUND(S)</b>		<b>1,991,329</b>	<b>9,636,306</b>	<b>17,591,773</b>	<b>10,981,622</b>	<b>1,871,010</b>	<b>12,852,632</b>	<b>73%</b>
<b>TOTAL ENTERPRISE FUNDS</b>		<b>3,199,999</b>	<b>22,343,231</b>	<b>32,616,852</b>	<b>20,576,474</b>	<b>2,280,088</b>	<b>22,856,562</b>	<b>70%</b>
<b>INTERNAL SERVICE FUNDS</b>								
730	INFORMATION SERVICES	20,164	586,190	653,455	369,958	17,734	387,692	59%
740	BUILDING MAINTENANCE	55,027	588,128	659,440	490,003	23,722	513,725	78%
745	CIP ENGINEERING	105,802	1,308,227	1,374,356	1,187,447	105,686	1,293,133	94%
760	UNEMPLOYMENT	-	25,000	50,000	31,385	-	31,385	63%
770	WORKERS COMPENSATION	69,875	482,200	539,025	488,822	39,000	527,822	98%
790	EQUIPMENT REPLACEMENT	65,647	186,472	186,472	84,545	9,117	93,662	50%
793	CORP YARD COMMISSION	137,969	227,600	337,970	932,281	10,915	943,196	279%
795	GEN. LIABILITY INSURANCE	4,200	330,600	330,600	403,811	-	403,811	122%
<b>TOTAL INTERNAL SERVICE FUNDS</b>		<b>458,684</b>	<b>3,734,417</b>	<b>4,131,318</b>	<b>3,988,252</b>	<b>206,174</b>	<b>4,194,426</b>	<b>102%</b>
<b>AGENCY FUNDS</b>								
841	MORGAN HILL BUS RANCH I	6,940	730,155	730,155	735,202	-	735,202	101%
842	MORGAN HILL BUS RANCH II	(5,022)	89,995	213,995	207,239	-	207,239	97%
843	MORGAN HILL BUS RANCH 98	8,247	883,336	1,105,336	1,112,924	-	1,112,924	101%
845	MADRONE BP-TAX EXEMPT	6,832	1,084,479	1,105,479	1,182,687	-	1,182,687	107%
846	MADRONE BP-TAXABLE	(3,657)	183,851	276,851	198,716	-	198,716	72%
848	TENNANT AVE BUS PARK AD	(559)	-	-	274	-	274	n/a
881	POLICE DONATION TRUST	-	-	-	-	-	-	n/a
<b>TOTAL AGENCY FUNDS</b>		<b>12,781</b>	<b>2,971,816</b>	<b>3,431,816</b>	<b>3,437,042</b>	<b>-</b>	<b>3,437,042</b>	<b>100%</b>
<b>REPORT TOTAL</b>		<b>7,627,302</b>	<b>86,567,577</b>	<b>117,921,484</b>	<b>72,843,059</b>	<b>12,979,441</b>	<b>85,822,500</b>	<b>73%</b>



City of Morgan Hill  
Enterprise Funds Report - Fiscal Year 2002/03  
For the Month of June 30, 2003  
100% of Year Completed

YTD INCOME STATEMENT FOR CURRENT AND PRIOR YEAR

	Sewer Operations				Water Operations			
	Budget	YTD	% of Budget	Prior YTD	Budget	YTD	% of Budget	Prior YTD
<b>Operations</b>								
<b>Revenues</b>								
Service Charges	\$ 5,389,650	\$ 5,007,460	93%	\$ 5,427,323	\$ 5,855,915	\$ 5,679,069	97%	\$ 5,615,035
Meter Install & Service					48,000	53,116	111%	37,464
Other	113,900	131,643	116%	124,960	155,566	372,751	240%	373,729
<b>Total Operating Revenues</b>	<b>5,503,550</b>	<b>5,139,103</b>	<b>93%</b>	<b>5,552,283</b>	<b>6,059,481</b>	<b>6,104,936</b>	<b>101%</b>	<b>6,026,228</b>
<b>Expenses</b>								
Operations	3,979,047	3,869,566	97%	3,608,608	4,523,153	4,088,744	90%	3,537,616
Meter Reading/Repair					688,718	635,787	92%	448,227
Utility Billing/Water Conservation					470,075	402,741	86%	304,254
<b>Total Operating Expenses</b>	<b>3,979,047</b>	<b>3,869,566</b>	<b>97%</b>	<b>3,608,608</b>	<b>5,681,946</b>	<b>5,127,272</b>	<b>90%</b>	<b>4,290,097</b>
<b>Operating Income (Loss)</b>	<b>1,524,503</b>	<b>1,269,537</b>		<b>1,943,675</b>	<b>377,535</b>	<b>977,664</b>		<b>1,736,131</b>
<b>Nonoperating revenue (expense)</b>								
Interest Income	295,119	152,866	52%	326,507	227,000	108,275	48%	148,016
Interest Expense/Debt Services	(1,403,954)	(667,145)	48%	(1,009,138)	(337,720)	(386,328)	114%	(395,695)
Principal Expense/Debt Services	(655,000)	(635,000)	97%	(655,000)	(210,320)	(219,331)	104%	(210,320)
<b>Total Nonoperating revenue (expense)</b>	<b>(1,763,835)</b>	<b>(1,149,279)</b>		<b>(1,337,631)</b>	<b>(321,040)</b>	<b>(497,384)</b>		<b>(457,999)</b>
Income before operating xfers	(239,332)	120,258		606,044	56,495	480,280		1,278,132
Operating transfers in	-	-		-	173,877	173,877	100%	175,543
Operating transfers (out)	(891,377)	(891,377)	100%	(850,543)	(3,577,500)	(2,077,500)	58%	(2,715,000)
<b>Net Income (Loss)</b>	<b>\$ (1,130,709)</b>	<b>\$ (771,119)</b>		<b>\$ (244,499)</b>	<b>\$ (3,347,128)</b>	<b>\$ (1,423,343)</b>		<b>\$ (1,261,325)</b>



**City of Morgan Hill**  
**Balance Sheets - Water and Sewer Funds**  
**June 30, 2003**  
**100% of Year Complete**

	<b>Sewer Operations (640)</b>	<b>Sewer Expansion Stabilization Capital Projects (641-643)</b>	<b>Water Operations (650)</b>	<b>Water Expansion Stabilization Capital Projects (651-653)</b>
<b>ASSETS</b>				
<b>Cash and investments:</b>				
<b>Unrestricted</b>	4,537,205	6,941,190	1,806,946	4,757,369
<b>Restricted <sup>1</sup></b>	1,862,707	4,958,670	390,413	124,965
<b>Accounts Receivable</b>		67,279		24,060
<b>Utility Receivables</b>	686,273		1,029,114	
<b>Less Allowance for Doubtful Accounts</b>	(2,633)		(2,751)	
<b>Notes Receivable <sup>2</sup></b>				
<b>Fixed Assets <sup>3</sup></b>	33,230,110	7,321,152	24,217,670	5,644,680
<b>Total Assets</b>	<u>40,313,662</u>	<u>19,288,291</u>	<u>27,441,392</u>	<u>10,551,074</u>
<b>LIABILITIES</b>				
<b>Accounts Payable and Accrued Liabilities</b>	431,931	695,445	351,200	260,629
<b>Deposits for Water Services</b>			38,186	
<b>Deferred Revenue <sup>4</sup></b>				
<b>Bonds Payable</b>	26,025,000		6,205,194	
<b>Discount on Bonds and Other Liabilities</b>	(2,705,125)		(957,773)	
<b>Accrued Vacation and Comp Time</b>	41,966		88,959	
<b>Total liabilities</b>	<u>23,793,772</u>	<u>695,445</u>	<u>5,725,766</u>	<u>260,629</u>
<b>FUND EQUITY</b>				
<b>Contributed Capital</b>	7,155,284		13,742,872	
<b>Retained Earnings</b>				
<b>Reserved for:</b>				
<b>Noncurrent water/sewer assets &amp; debt</b>	9,890,316	7,321,152	18,834,894	5,644,680
<b>Encumbrances</b>	96,045	313,033	653,134	1,217,877
<b>Notes Receivable</b>		0		
<b>Restricted Cash</b>	1,862,707		390,413	
<b>Total Reserved Retained Earnings</b>	11,849,068	7,634,185	19,878,441	6,862,557
<b>Unreserved Retained Earnings</b>	4,670,822	10,958,661	1,837,185	3,427,888
<b>Total Fund Equity</b>	<u>16,519,890</u>	<u>18,592,846</u>	<u>21,715,626</u>	<u>10,290,445</u>
<b>Total Liabilities and Fund Equity</b>	<u>40,313,662</u>	<u>19,288,291</u>	<u>27,441,392</u>	<u>10,551,074</u>

<sup>1</sup> Restricted for Bond Reserve requirements and capital expansion.

<sup>2</sup> Includes Note for Sewer Financing Agreements.

<sup>3</sup> Includes Water and Sewer infrastructure and the City's share of the Wastewater treatment plant.

<sup>4</sup> Includes the deferred payment portion of the loans noted above.





**City of Morgan Hill**  
**Balance Sheets for Major Funds - Fiscal Year 2002-2003**  
**June 30, 2003**  
**100% of Year Complete**

**ASSETS**

**Cash and investments:**

Unrestricted

Restricted <sup>1</sup>

Accounts Receivable

Utility Receivables (Sewer and Water)

Less Allowance for Doubtful Accounts

Loans and Notes Receivable <sup>2</sup>

Prepaid Expense

Fixed Assets <sup>3</sup>

**Total Assets**

**LIABILITIES**

Accounts Payable and Accrued Liabilities

Deposits for Water Services

Deferred Revenue <sup>4</sup>

Bonds Payable

Discount on Bonds and Other Liabilities

Accrued Vacation and Comp Time

**Total liabilities**

**FUND EQUITY**

Contributed Capital

Fund Balance / Retained Earnings

Reserved for:

Noncurrent water/sewer assets & debt

Encumbrances

Restricted Cash

RDA properties held for resale

Loans and Notes Receivable

**Total Reserved Fund Equity**

**Designated Fund Equity <sup>5</sup>**

**Unreserved/Undesignated Fund Equity**

**Total Fund Equity**

**Total Liabilities and Fund Equity**

General Fund (Fund 010)	RDA (Fund 317)	L/M Housing (Fund 327/328)	Sewer (Fund 640)	Water (Fund 650)
11,193,437	18,757,369	6,139,489	4,537,205	1,806,946
4,150			1,862,707	390,413
1,523,920	307,656	81,880	21,462	16,894
			686,273 (2,633)	1,029,114 (2,751)
512,363	2,869,786	22,497,732		
7,331				
	71,049		33,230,110	24,217,670
13,241,201	22,005,860	28,719,101	40,335,124	27,458,286
1,605,809	431,298	117,763	431,931	351,200
				38,186
611,065	999,969	5,584,496		
			26,025,000	6,205,194
14,510			(2,705,125)	(957,773)
			41,966	88,959
2,231,384	1,431,267	5,702,259	23,793,772	5,725,766
			7,155,284	13,742,872
			9,890,316	18,834,894
86,358	7,449,222	214,699	96,045	653,134
	71,049		1,862,707	390,413
	1,869,817	16,913,237		
86,358	9,390,088	17,127,936	11,849,068	19,878,441
3,382,000				
7,541,459	11,184,505	5,888,906	4,692,284	1,854,079
11,009,817	20,574,593	23,016,842	16,541,352	21,732,520
13,241,201	22,005,860	28,719,101	40,335,124	27,458,286

<sup>1</sup> Restricted for Petty Cash use, Bond Reserve requirements and sewer and water capital expansion.

<sup>2</sup> Includes Housing Rehab loans, Financing Agreements for Public Works Fees and loans for several housing and Agency projects.

<sup>3</sup> Includes Water and Sewer infrastructure, the City's share of the Wastewater treatment plant and RDA properties held for resale.

<sup>4</sup> Includes the deferred payment portion of the loans noted above.

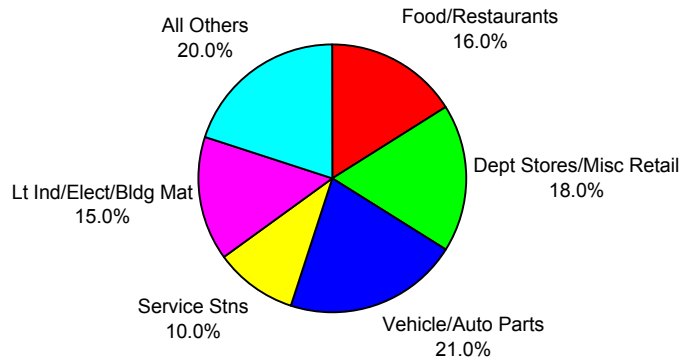
<sup>5</sup> Designated for economic uncertainty, emergencies, and Fire Master Plan implementation



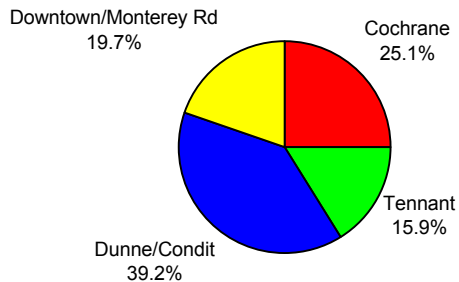
**City of Morgan Hill**  
**Sales Tax Comparison - Fiscal Year 2002/03**  
**For the Month of June 2003**  
**100% of Year Complete**

Month	Amount Collected for Month for Fiscal Year			Amount Collected YTD for Fiscal Year			Comparison of YTD for fiscal years	
	02/03	01/02	00/01	02/03	01/02	00/01	02/03 to 01/02	02/03 to 00/01
July	\$367,600	\$377,700	\$306,000	\$367,600	\$377,700	\$306,000	(10,100)	61,600
August	\$447,000	\$503,600	\$408,000	\$814,600	\$881,300	\$714,000	(66,700)	100,600
September	\$361,932	\$437,056	\$584,766	\$1,176,532	\$1,318,356	\$1,298,766	(141,824)	(122,234)
October	\$354,915	\$339,000	\$319,200	\$1,531,447	\$1,657,356	\$1,617,966	(125,909)	(86,519)
November	\$474,800	\$452,000	\$425,600	\$2,006,247	\$2,109,356	\$2,043,566	(103,109)	(37,319)
December	\$384,154	\$538,465	\$524,333	\$2,390,401	\$2,647,821	\$2,567,899	(257,420)	(177,498)
January	\$368,600	\$393,900	\$337,700	\$2,759,001	\$3,041,721	\$2,905,599	(282,720)	(146,598)
February	\$487,195	\$466,068	\$450,200	\$3,246,196	\$3,507,789	\$3,355,799	(261,593)	(109,603)
March	\$225,908	\$351,548	\$607,260	\$3,472,104	\$3,859,337	\$3,963,059	(387,233)	(490,955)
April	\$292,698	\$341,042	\$324,700	\$3,764,802	\$4,200,379	\$4,287,759	(435,577)	(522,957)
May	\$394,500	\$461,500	\$432,900	\$4,159,302	\$4,661,879	\$4,720,659	(502,577)	(561,357)
June	\$477,624	\$208,416	\$811,473	\$4,636,926	\$4,870,295	\$5,532,132	(233,369)	(895,206)
<b>Year To Date Totals</b>				<b>\$4,636,926</b>	<b>\$4,870,295</b>	<b>\$5,532,132</b>	<b>-\$233,369</b>	<b>-\$895,206</b>
Sales Tax Budget for Year				\$5,330,000	\$5,300,000	\$4,462,817		
Percent of Budget				87%	92%	124%		
Percent of increase(decrease)							-5%	-16%

**Sales Tax Distribution  
by Business Segment  
Fourth Quarter 2002**



**Sales Distribution  
by Area  
Fourth Quarter 2002**





## ***CITY COUNCIL STAFF REPORT***

***MEETING DATE: August 27, 2003***

### **PRESENTATION OF SCRWA CAPACITY EXPANSION NEEDS**

**RECOMMENDED ACTION(S):** Information only.

**Agenda Item # 9**

**Prepared By:**

\_\_\_\_\_  
**Public Works Director**

**Submitted By:**

\_\_\_\_\_  
**City Manager**

**EXECUTIVE SUMMARY:** During this year's budget workshop, our Mayor asked for a presentation regarding the near-term capital expenditures for capacity expansion of our joint wastewater treatment plant that we share with the City of Gilroy. The SCRWA design engineers, Montgomery Watson, will be present at the Council meeting to do a short overview of the near-term capital expansion needs of the plant, and also attached are pages from the 03/04 SCRWA budget that outlines the 20 year capital expansion needs of the plant.

**FISCAL IMPACT:** Funding for the City share of the expansion of the wastewater treatment plant is accommodated in our annual budget.



## **CITY COUNCIL STAFF REPORT**

**MEETING DATE:** *August 27, 2003*

### **CONVERSION OF RESIDENTIALS UNITS FOR COMMERCIAL USES IN THE DOWNTOWN AREA**

**RECOMMENDED ACTION(S):** Direct staff to: 1) revise the municipal code as recommended by the Council's Economic Development Subcommittee regarding the conversion of residential units for commercial uses in downtown and 2) bring such revisions to the Council for consideration at their meeting in September 2003.

Agenda Item # 10

Approved By: \_\_\_\_\_

BAHS Director

Submitted By: \_\_\_\_\_

City Manager

**EXECUTIVE SUMMARY:** Over the past several weeks, some property owners have approached staff about the difficulties they face in converting or expanding their residential units for commercial uses as well as just expanding their existing commercial site in the downtown area. Their concerns relate to payment of impact fees, offsite requirements, and fire sprinkler requirements. The current City municipal code requires that when residential units convert to commercial uses or existing commercial uses expand they must pay impact fees based on the proposed use. In addition, the converted units must make improvements needed to bring the building up to current fire code including the installation of fire sprinklers. These costs are in addition to any tenant improvements and improvements needed to bring the structure up to building code requirements (e.g., ADA) for commercial uses.

The EDS has considered these concerns from owners and discussed options provided by staff. In light of these concerns and the Downtown Plan's objective of encouraging the conversion of residential units for commercial uses, the EDS has directed staff to pursue the following revisions to the City's Municipal Code:

- Exempt residential units converting to commercial use in the downtown CCR zone from paying impact fees
- Exempt commercial additions up to 1,500 sq. ft. in the CCR zone from paying impact fees and in-lieu utility undergrounding fees and installing off-site improvements.
- Amend the fire code to allow an alternative to the installation of fire sprinklers

The EDS recommends that the above exemption should be limited to three year period and only to CCR zoned (i.e., mixed use) properties (see attached map). At the end of the three year period, the Council could evaluate the impact of the exemption on downtown and determine if the exemption should continue. The attached memo discusses the details, cost implications, and rationale behind the proposed exemptions and amendment to the fire code. The analysis indicates that the loss of impact fees would only have a "de minis" impact on the total \$205M in impact fees to be collected over a 20 year period. We believe only about 34 residential units in the downtown would convert over this period based on their location and the possibility that a commercial use would be deemed to be the highest and best use of the residential property in the future.

The purpose of these revisions is to remove barriers to owners wanting to convert their residential units for commercial uses. At this time, the lease rates for commercial uses in downtown would not support the outlay of capital investment needed to pay for impact fees, off-site improvements, fire sprinklers, or in-lieu utility undergrounding fees.

**FISCAL IMPACT:** None

## **MEMORANDUM**

August 19, 2003

TO: J. Edward Tewes, City Manager

FROM: Garrett Toy, Director of BAHS

RE: **CONVERSION OF RESIDENTIALS UNITS FOR COMMERCIAL USES IN THE DOWNTOWN AREA**

Over the past several weeks, some property owners have approached staff about the difficulties they face in converting or expanding their residential units for commercial uses as well as just expanding their existing commercial building in the downtown area. Their concerns relate to payment of impact fees, offsite requirements, and fire sprinkler requirements. The current City municipal code requires that when residential units convert to commercial uses or existing commercial uses expand they must pay impact fees based on the proposed use. In addition, the converted units must make improvements needed to bring the building up to current fire code including the installation of fire sprinklers.

The Council's Economic Development Subcommittee (EDS) has considered these concerns from owners and discussed options provided by staff. In light of these concerns and the Downtown Plan's objective of encouraging the conversion of residential units for commercial uses, the EDS has directed staff to pursue the following revisions to the City's Municipal Code:

- Exempt residential units converting to commercial use in the downtown CCR zone from paying impact fees

Although the converted residential units will receive credits for their residential impact fees, the owners will need to pay additional traffic and sewer fees since these impact fees for commercial use exceed those for residential units. Depending on the commercial use, the conversion costs could be significant. For example, a restaurant use will require the payment of over \$33,000 in impact fees based on an average residential unit size of 1,200 sq. ft. This equates to a cost of approximately \$27/sq. ft. in fees before taking into account the costs for any needed improvements to the property.

The EDS recommends that this exemption should be limited to a three (3) year period and only to CCR zoned (i.e., mixed use) properties. Attached is a map showing the boundaries of the CCR in the downtown. At the end of the three year period, the Council could evaluate the impact of the exemption on downtown and determine if the exemption should continue. Staff prepared an analysis which estimates 34 residential units in the downtown could convert over a 20 year period. The estimate takes into account a unit's location and determines the possibility that a commercial use would be deemed to be the highest and best use of the residential property in the future. For example, the estimate assumes that the residential units along Third St. east of Monterey would convert to commercial uses over the next 20 years. This assumes that the private market will facilitate the conversion of the units because of the higher rate of return on

investment as opposed to any government action. Over a three year period, probably one or two units would convert per year over that time frame.

Our analysis makes some assumptions about the mix of the type of uses: office, retail, and restaurant. Based on these assumptions, our analysis indicates that the loss of impact fees would have a “de minimus” impact on the total \$205M in impact fees to be collected over a 20 year period (less than .17% of the total fees collected). Over a three year, the impact would be significantly less. In addition, we also believe the conversion of the residential units to commercial uses would have a “de minimus” impact on the City’s traffic and sewer systems, especially over a three year period.

- Exempt commercial additions up to 1,500 sq. ft. in the downtown area from paying impact fees and installing off-site improvements such as paying utility undergrounding fees

The EDS recommends that this exemption should also be limited to a three year period and only to CCR zoned (i.e., mixed use) properties. Expansions of commercial property are required to pay sewer and traffic impact fees based on the existing use. For an expansion of a restaurant this can be upwards of \$30/sq. ft. For example, a 1,500 sq. ft. addition will require the payment of about \$45,000 in sewer and traffic impact fees.

Furthermore, expansions that exceed 25% of the existing building’s square footage trigger off-site requirements such as utility undergrounding. If eligible, the project can pay an in-lieu utility undergrounding fees. For the typical residential unit, the undergrounding in-lieu fee would cost \$5,000 based on an average property frontage of 50 linear feet. In addition to not being required to pay utility undergrounding in-lieu fees, we are proposing that expansions not be required to install off-site public improvements such as street lights. Our research indicates that all the 34 possible properties for conversion have their full street frontage improvements in place.

The 1,500 sq. ft. threshold was selected because it is the maximum amount of square footage a typical residential unit could expand and meet the current zoning and building codes. In all likelihood most unit conversions would probably not expand to this level due to costs, the type of use (office), or the limited size of the lot. We also determined that many of the existing commercial properties are somewhat constrained by lot size and their ability to charge higher rents to capitalize the costs of the improvements. Our research indicates the average size of a residential unit that could convert is 1,200 sq. ft. and that the average lot size is 6,400 sq. ft.

We analyzed the potential loss of impact fees from expansions based on a mix of the type of uses: office, retail, and restaurant. To simplify the analysis, we assumed that all 34 residential to commercial conversions would also include 1,500 sq. ft. expansions over a 20 year period. The reality is that not all the conversions would include expansions and that some existing commercial buildings would be expanded, but we needed to have some base assumptions and thought it would average out in the end. The total amount of square footage to be added would be 51,000 sq. ft. over 20 years or about 2,550 sq. ft. per year. This is probably on the high side, but using these assumptions, the analysis indicates that the loss of impact fees would only have a “de minimus” impact (less than .30%) on the total \$205M in impact fees to be collected over a 20 year period. Over a three period, the impact would be significantly less.

With respect to the payment of in-lieu undergrounding fees, we estimate that 34 properties represent about 1,700 linear feet of frontage with an average street frontage of 50 linear feet. At

a \$100/linear foot, the City would forgo \$170,000 in utility undergrounding fees over a 20 year period or \$8,500 per year. Clearly, this is a minimal amount and not nearly enough to underground all the utilities in the downtown area.

- Amend the fire code to allow an alternative to the installation of fire sprinklers

The current code requires the installation of a fire suppression system with the change of use. We are working with County Fire to develop an alternative to commercial fire sprinklers. One option is to substitute a residential sprinkler system for a commercial sprinkler system. Although costs will vary site to site, a residential system will cost about \$15,000-\$20,000. A commercial system is significantly more expensive. It should also be noted that whether sprinklers are required or not, a conversion will require that the buildings that are within 20 feet of the property line have fire rated walls and openings. Since most, if not all, of the potential properties that would convert are within 20 feet of the property line, they will need to make these improvements, if needed.

As the average residential unit size is 1,200 sq. ft., sprinklers will add \$12.50-16.70/sq. ft. in costs before any other improvements are done. County Fire has indicated they understand the financial burden sprinklers place on property owners and are open to suggestions from staff. Staff will continue to work with County Fire to develop an alternative protection approach for units to be converted downtown.

All these requirements combine to act as disincentives to owners wanting to convert or expand their buildings for commercial uses. For example, the conversion of a typical 1,200 sq. ft. downtown residence to a restaurant use, an owner/tenant would need to pay over \$40/sq. ft. or about \$48,000 for impact fees and sprinklers. This is in addition to installing any improvements required to meet ADA, other fire protection requirements, or the improvements for a business like a restaurant.

By exempting conversions and expansions from paying impact fees or undergrounding in-lieu fees, we will be eliminating several barriers to development in the downtown area. The loss of impact fees represent less than .5% of the total \$205M to be collected in impact fees over a 20 year period, but this assumes all 34 units convert and expand which is probably unlikely. More importantly as we are only considering this for a three year period, the impact will be significantly less.

Furthermore, lease rates for commercial uses in downtown would not support this outlay of capital investment needed to pay impact fees or to install sprinklers. In order to encourage the conversion of residential units to commercial uses in the downtown, we will need to pursue the above actions. However, the three year limit will allow us to evaluate the impact of these revisions on downtown.



**CITY COUNCIL/REDEVELOPMENT  
AGENCY STAFF REPORT**  
**MEETING DATE:** August 27, 2003

**Agenda Item # 11**

**Approved By:**

\_\_\_\_\_  
**BAHS Director**

**Submitted By:**

\_\_\_\_\_  
**City Manager**

**AFFORDABLE HOUSING STRATEGY**

**RECOMMENDED ACTION(S)** Adopt the affordable housing strategy.

**EXECUTIVE SUMMARY:**

In December 2002, the City Council/Agency received a report on the draft Comprehensive Housing Strategy (Strategy), directed staff to distribute the report to interested parties for comments, and directed staff to schedule a workshop for further discussion. In April 2003, the Council held a workshop to discuss the Strategy's proposed income targeting and resource allocation, program and project recommendations, and policy issues for the Agency's consideration. Seifel Consulting, the firm retained to prepare the Strategy, assisted staff in facilitating the workshop.

At the workshop, the Council provided staff with direction on the Strategy's recommendations and general policy issues. In general, the Council made minor modifications to the draft recommendations and agreed that a majority of the ownership opportunities be targeted toward moderate income households and rental opportunities be targeted toward lower income households. We have incorporated the Council's comments into the final version of the Strategy. You may notice that we now refer to the Strategy as an "Affordable Housing Strategy." We have also divided the Strategy into the two attached documents: "Strategy and Implementation" and "Technical Report." These changes will make the document more user friendly.

Although several months have elapsed since the last workshop, staff has been working to implement projects identified within the Strategy such as the Watsonville Rd. and Royal Court apartment projects. Many of these projects are included within the BAHS workplan for FY03-04. One such workplan task is the development of an implementation workplan for the Strategy. This specific workplan will be brought to the Council for consideration by the end of the year.

**FISCAL IMPACT:** Depends on the project and program, but the BAHS FY03-04 Housing Division budget did allocate funds to implement the various projects/programs identified within the Strategy.